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To: All Members of the AUDIT COMMITTEE
(Other Members for Information)

When calling please ask for:
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Calls may be recorded for training or monitoring
Date: 20 November 2020

Membership of the Audit Committee

Cllr Peter Marriott (Chairman)
Cllr Jerome Davidson (Vice Chairman)
Cllr Richard Cole
Cllr Jan Floyd-Douglass
Cllr John Gray
Cllr Michaela Gray
Cllr Richard Seaborne
Cllr George Wilson

Dear Councillors

A meeting of the AUDIT COMMITTEE will be held as follows:

DATE: MONDAY, 30 NOVEMBER 2020

TIME: 7.00 PM

PLACE: ZOOM VIRTUAL MEETING

The Agenda for the meeting is set out below.

Yours sincerely

ROBIN TAYLOR

Head of Policy and Governance

Agendas are available to download from Waverley's website (www.waverley.gov.uk/committees), where you can also subscribe to updates to receive information via email regarding arrangements for particular committee meetings.

Alternatively, agendas may be downloaded to a mobile device via the free Modern.Gov app, available for iPad, Android, Windows and Kindle Fire.

NOTE FOR MEMBERS

Members are reminded that contact officers are shown at the end of each report and members are welcome to raise questions etc in advance of the meeting with the appropriate officer.

AGENDA

6. UPDATED AUDIT FINDINGS REPORT (Pages 1 - 34)

   To consider Grant Thornton's updated Audit Findings report (to follow)

7. 2019/20 ACCOUNTS (Pages 35 - 140)

   To consider changes to the 2019/20 Accounts (to follow)

For further information or assistance, please telephone Kimberly Soane, Democratic Services Officer, on 01483 523258 or by email at Kimberly.soane@waverley.gov.uk

Grant Thornton

The Audit Findings for Waverley Borough Council

Year ended 31 March 2020

26 November 2020

Contents

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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Headlines

This table summarises the key findings and other matters arising from the statutory audit of Waverley Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2020 for those charged with governance.

Financial Statements	Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements: • give a true and fair view of the financial position of the Council and its income and expenditure for the year; and • have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.	Our audit work was completed on remotely during July-November. Our findings are summarised on pages 5 to 16. We have identified a number of adjustments to the financial statements that have resulted in an overall adjustment of £9.5m to the Council's surplus/deficit on the provision of services in the Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B. Our work is substantially complete and there are no outstanding matters of which we are aware that would require modification of our audit opinion (Appendix E) or material changes to the financial statements, subject to the following matters; • completion of our internal quality review process • receipt of management representation letter; and • review of the final set of financial statements. We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation. Our anticipated audit report opinion will be unmodified including an Emphasis of Matter paragraph, highlighting the material uncertainty of the valuation of land and buildings and of the Council's share of Surrey Pension Fund's pooled property and private equity investments.

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Headlines

This table summarises the key findings and other matters arising from the statutory audit of Waverley Borough Council (‘the Council’) and the preparation of the Council's financial statements for the year ended 31 March 2020 for those charged with governance.

Value for Money arrangements	Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources (‘the value for money (VFM) conclusion’).	We have completed our risk based review of the Council’s value for money arrangements. We have concluded that Waverley Borough Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We have updated our VfM risk assessment to document our understanding of your arrangements to ensure critical business continuity in the current environment. We have not identified any new VfM risks in relation to Covid-19. We therefore anticipate issuing an unqualified value for money conclusion, as detailed in Appendix E. Our findings are summarised on pages 17 to 20.
Covid-19 Page 4	The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operations of the Council. Authorities are still required to prepare financial statements in accordance with the relevant accounting standards and the Code of Audit Practice, albeit to an extended deadline for the preparation of the financial statements up to 31 August 2020 and the date for audited financial statements to 30 November 2020.	We updated our audit risk assessment to consider the impact of the pandemic on our audit and issued an audit plan addendum in April 2020. In that addendum we reported an additional financial statement risk in respect of Covid -19 and highlighted the impact on our VfM approach. Further detail is set out on page 6. Restrictions for non-essential travel has meant both Council and audit staff have had to initiate remote access working arrangements including the remote accessing of financial systems, the provision of working papers electronically by secure means, the use of video and telephone conferencing arrangements and using virtual technology to observe the download of data and other information to ensure its completeness and accuracy for testing.
Statutory duties	The Local Audit and Accountability Act 2014 (‘the Act’) also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • certify the closure of the audit.	We have not exercised any of our additional statutory powers or duties. We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance and timely collaboration provided by the finance team and other staff during these unprecedented times.

Audit approach

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

We have revised the materiality levels that was reported in our audit plan due to the lower gross revenue expenditure in the draft 2019/20 financial statements.

	Group Amount (£)	Council Amount (£)
Planning materiality (per the Audit Plan)	1,911k	1,905k
Materiality for the financial statements	1,832k	1,782k
Trivial matters	91k	89k

Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- An evaluation of the Council's internal controls environment, including its IT systems and controls; and
- substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have had to alter our audit plan, as communicated to you in our Audit Plan Addendum in April 2020, to reflect our response to the Covid-19 pandemic which we identified as an additional financial statements significant risk.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries on page 3 being resolved, we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 30 November 2020, as detailed in Appendix E. We will issue our opinion shortly after the 30 November due to the need to convene a further Audit Committee meeting to consider new matters reported in this revised Audit Findings Report. This means that the Council will not be able to publish its audited accounts by the publication date set out in the Account and Audit Regulations 2015 and will need to publish a statement explaining this on 30 November 2020.

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
Covid– 19 The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to; - Remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation - Volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates - Financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and - Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties. We therefore identified the global outbreak of the Covid-19 virus as a significant risk, which was one of the most significant assessed risks of material misstatement.	As part of our audit work we: • worked with management to understand the implications the response to the Covid-19 pandemic had on the organisation's ability to prepare the financial statements and update financial forecasts and assessed the implications for our materiality calculations. No changes were made to materiality levels previously reported in respect of Covid-19, although it was reduced to reflect the lower gross revenue expenditure of the Council. The draft financial statements were provided on 17 July 2020; • liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross-sector responses to issues as and when they arose. Examples include the material uncertainty disclosed by the Council's property valuation expert • evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic; • evaluated whether sufficient audit evidence could be obtained through remote technology; • evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as assets and the pension fund liability valuations ; • evaluated management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment; • discussed with management the implications for our audit report where we have been unable to obtain sufficient audit evidence. Management produced the draft financial statements and working papers in line with the agreed timetable ahead of the audit commencing. This is a significant achievement with all of the Council's staff working remotely, although our audit did identify improvements that could be made to the Council's arrangements for supporting the audit. We completed our audit remotely and, while it took longer than normal as a result, we were able to utilise technology to corroborate information produced by the Council. We did not identify any implications for our audit report resulting from Covid-19, however our report includes standard reference to the macroeconomic conditions arising from Brexit and Covid-19.

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
The revenue cycle includes fraudulent transactions (rebutted) Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	The assessment in our audit plan to rebut the presumed risk of improper revenue recognition remains appropriate. We have rebutted this presumed risk for the Council because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Waverley Borough Council, mean that all forms of fraud are seen as unacceptable Therefore we do not consider this to be a significant risk for the Council.
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	As part of our audit work we: • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk unusual journals • tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. Our audit work on journals has not identified any issues in respect of management override of controls.

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary

Valuation of land and buildings (Rolling revaluation)

The Council revalues its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£512 million) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Council and group financial statements is not materially different from the current value at the financial statements date, where a rolling programme is used

We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.

As part of our audit work we:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work
- evaluated the competence, capabilities and objectivity of the valuation expert
- discussed with the valuer the basis on which the valuation was carried out
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding of the Council's valuer's report and the assumptions that underpin the valuation.
- tested revaluations made during the year to see if they had been input correctly into the Council's asset register
- evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.

Our work identified the following issues:

- Indexation had not been applied to the council dwellings for the 2019/20 year. We challenged the valuer on the rationale and the supporting evidence supporting the decision, which was not in line with previous practice. The Council has now decided to apply indexation to the value of its council dwellings, which is a material adjustment.
- The Council's leisure centres had been revalued downwards by the valuer, in consultation with the Council's engineer, due to changes in the judgements made in respect of overall asset lives and remaining useful economic lives (UEL) in 2019/20. When these judgements were challenged by the audit team, management and the valuer have revisited the valuations and underlying assumptions. This led to a material adjustment to the accounts.
- Our testing of the floor area source data used for the valuation of Haslemere Leisure Centre identified a discrepancy in the calculation. Using the floor area that was evidenced resulted in a difference of £331k. This is shown as an unadjusted item in Appendix C.
- Management provided a description of the logic and process of how they had considered the year end value of properties that have not been valued, and their reasonableness. They were however unable to provide supporting evidence or figures to demonstrate the potential change in valuation of these properties. Therefore we carried out our own procedures, applying indices to the assets not revalued. Our work identified an variance of £955k from our expectation, thereby providing assurance that the value of properties not revalued in the year were not materially different from the current value at year end.
- A member of the finance team on secondment from finance was closely involved in the decision making process of the internal valuer. Whilst clear separation of roles can be difficult for relatively small councils, in future greater demarcation of these respective roles should be put in place, as the valuation expert should be objective and separate from the preparation of the financial statements.

Management are required to ensure that they have the assurance that they require that the accounts are free from material misstatement. This would include assurances over the work of management's experts, including the valuer and the actuary. This is the second successive year where there has been material adjustments to PPE valuations.

We will be including an emphasis of matter paragraph in our audit opinion in respect of the material uncertainty in the internal valuer's report.

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
Valuation of the pension fund net liability The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements and group accounts. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£68 million in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions. We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.	As part of our audit work we: • updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation; • assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability; • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • obtained assurances from the auditor of Surrey Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. Our work identified that the pension liability in the financial statements and the figure in the actuary's IAS19 report differ by £586k, which is due to the Council reflecting actual cumulative payments to the fund of £102,186, as opposed to £102,772k per the actuary's report. This difference however cannot be estimated with certainty by the Council, who have agreed to adjust this in the 2020/21 accounts. The uncertainty, which is not material, is therefore shown as an unadjusted item in Appendix C. We will be including an emphasis of matter paragraph in our audit opinion in respect of the material uncertainty in Surrey Pension Fund's valuation reports for pooled property and private equity investments.

Other findings

Risks identified in our Audit Plan	Auditor commentary
IFRS 16 implementation has been delayed by one year Although the implementation of IFRS 16 has been delayed to 1 April 2021, audited bodies still need to include disclosure in their 2019/2020 statements to comply with the requirement of IAS 8 para 31. As a minimum, we would expect audited bodies to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases.	The Council complied with the requirement of IAS 8 para 31 by disclosing the title of the standard and the date of the initial application. However, the draft accounts do not include any disclosure of the potential impact on the Council.

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Land and Buildings – Council Housing Draft: £421.6m Final: £429.8m	The Council owns a number of dwellings and is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The Council has engaged its internal valuer to complete the valuation of these properties. As the dwellings are valued as at 1 April the Council then applies an appropriate indexation to reflect movements in value to 31 March. The year end valuation of Council Housing was £429.8m, a net increase of £7.4m from 2018/19 (£422.4m), following indexation being applied as part of the audit adjustments.	• Local authority valuations are increasingly important given the significance of the amounts involved in the context of our overall materiality. Because of this we are taking a more challenging approach to the audit and many councils are finding that they need to strengthen their valuation arrangements in response. This is what we have found at Waverley, where the current in-house valuer is new to role. • There have been no changes to the valuation method this year. • Disclosure of the estimate in the financial statements is considered adequate • No issues have been noted through our consideration of the completeness and accuracy of the underlying information used to determine the estimate • We have considered the movements in the valuations of assets, which identified that no indexation had been applied to the dwellings for the 2019/20 year. We challenged the valuer on the rationale and the supporting evidence supporting the decision, which was not in line with previous practice. The Council has now decided to apply indexation to the value of its council dwellings, which is a material adjustment. • Management need to ensure that they have assurance over the work of their experts, including the valuer. This should include review and challenge of the valuer's work as appropriate. • The valuation expert should be objective and separate from the preparation of the financial statements. Our audit identified evidence that a member of the finance team on secondment from finance appeared to involved in the decision making process of the internal valuer.	Red

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Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Land and Buildings – Other £80.1m	Other land and buildings comprises £21.3m of specialised assets such as leisure centre, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings (£58.8m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged its internal valuer to complete the valuation of properties as at 31 March 2020 on a five yearly cyclical basis. 32% of total assets were revalued during 2019/20. In line with RICS guidance, the Council's valuer disclosed a material uncertainty in the valuation of the Council's land and buildings at 31 March 2020 as a result of Covid-19. The Council has included disclosures on this issue in Note 3.	• Local authority valuations are increasingly important given the significance of the amounts involved in the context of our overall materiality. Because of this we are taking a more challenging approach to the audit and many councils are finding that they need to strengthen their valuation arrangements in response. This is what we have found at Waverley, where the current in-house valuer is new to role. • There have been no changes to the valuation method this year. • Disclosure of the estimate in the financial statements is considered adequate. • Management need to ensure that they have assurance over the work of their experts, including the valuer. This should include review and challenge of the valuer's work as appropriate. • The valuation expert should be objective and separate from the preparation of the financial statements. Our audit identified evidence that a member of the finance team on secondment from finance appeared to involved in the decision making process of the internal valuer. • Leisure centres were revalued downwards due to changes in the judgements made in respect of overall asset lives and remaining useful economic lives (UEL) in the 2019/20 valuations. When these judgements were challenged by the audit team, management and the valuer have revisited the valuations and underlying assumptions. This led to a material adjustment to the accounts. • Management provided a description of the logic and process of how they had considered the year end value of properties that have not been valued, and their reasonableness. They were however unable to provide supporting evidence or figures to demonstrate the potential change in valuation of these properties. Therefore we carried out our own procedures to gain assurance that the values of properties not revalued in the year were not materially misstated.	● Red

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Assessment

- ● We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- ● We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- ● We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Net pension liability £66.2m	The Council's net pension liability at 31 March 2020 is £66.2m (PY £68m) comprising the obligations under the Surrey Pension Fund Local Government pension scheme. The Council uses Hymans Robertson to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 31 March 2019. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment return. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £5.3m net actuarial gain during 2019/20.	We have: • Assessed management's expert • Assessed the actuary's roll forward approach taken and deemed it reasonable • Used PwC as our auditors expert to assess the actuary and assumptions made by the actuary (see assumptions table below) • Confirmed the completeness and accuracy of the underlying information used to determine the estimate • Confirmed that there have been no changes to the valuation method • Confirmed the reasonableness of the Council's share of LGPS pension assets. • Confirmed the consistency of the pension fund assets and liability disclosures in notes to the financial statements with the actuarial report from the actuary There were no issues arising from our work in respect of assessing the assumptions used by the actuary, considering the work of our auditor's expert PwC.	● Green

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.3%	2.3%	●
Pension increase rate	1.9%	1.8% - 2%	●
Salary growth	2.8%	Values are in line with PwC report	●
Life expectancy – Males currently aged 45 / 65	22.1 22.9	20.5 - 22.2 21.6 - 23.3	●
Life expectancy – Females currently aged 45 / 65	24.3 25.7	22.9 - 24.3 24.6 - 26.3	●

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Assessment

- ● We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- ● We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- ● We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – going concern

Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

Going concern commentary	Auditor commentary
Management's assessment process • Management’s assessment is based on the public sector interpretation of going concern as the continuation of the provision of services to support the preparation of the accounts on a going concern basis.	The going concern assessment was completed by the Strategic Director (s.151 officer). We consider that management’s arrangements for considering going concern are adequate. We concur with management’s assessment that the Council is a going concern with no material uncertainties that would require disclosure.
Work performed • We reviewed management’s assessment of going concern provided to us, in conjunction with our knowledge and understanding of the Council. • We reviewed the Council’s medium term financial planning documents, and considered the impact of Covid-19.	We considered management’s assessment and also considered the potential impact of Covid-19 on the Going Concern assumption. The Council had to set a Contingency Revised Budget in order to address a £6.6m shortfall in 2020/21 due to Covid-19. This was achieved with the use of reserves and budget savings and the Council is reviewing its Medium Term Financial Plan in the coming months. We did not identify any material uncertainties that would require additional disclosure. However, we did identify that the Council has not made any reference to the financial statements being prepared on a going concern basis.
Concluding comments • No issues identified.	We did not identify any issues with the Council’s use of the going concern assumption, with the exception of this not being disclosed in the draft financial statements. This has been corrected in the amended set of accounts. Our proposed audit opinion will be unmodified in respect of going concern.

Other matters for communication

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Auditor commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not currently aware of any related parties or related party transactions which have not been disclosed. However our work in this area is in progress currently.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council, which is included in the Audit Committee papers.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Council's counterparties. This permission was granted and the requests were sent, with positive confirmations received for all.
Disclosures	Our review found no material omissions in the financial statements.
Audit evidence and explanations/significant difficulties	All information and explanations requested from management was provided. The draft financial statements and working papers were provided in line with the timetable agreed in advance of the audit. However there have been a number of delays in some areas during the audit where there were difficulties in the provision of detailed population breakdowns for some areas and in the subsequent sample evidence. HRA debtors and PPE revaluations were particular areas where we have encountered delays.

Other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. We did identify some areas where the Narrative Report could be enhanced and this is summarised in the Action Plan at Appendix A. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – please see our proposed opinion at Appendix E.
Matters on which we report by exception	We are required to report on a number of matters by exception in a numbers of areas: • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit • If we have applied any of our statutory powers or duties We have nothing to report on these matters.
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. Work is not required as the Council does not exceed the threshold.
Certification of the closure of the audit	We intend to certify the closure of the 2019/20 audit of Waverley Borough Council in the audit report, as detailed in Appendix E.

Value for Money

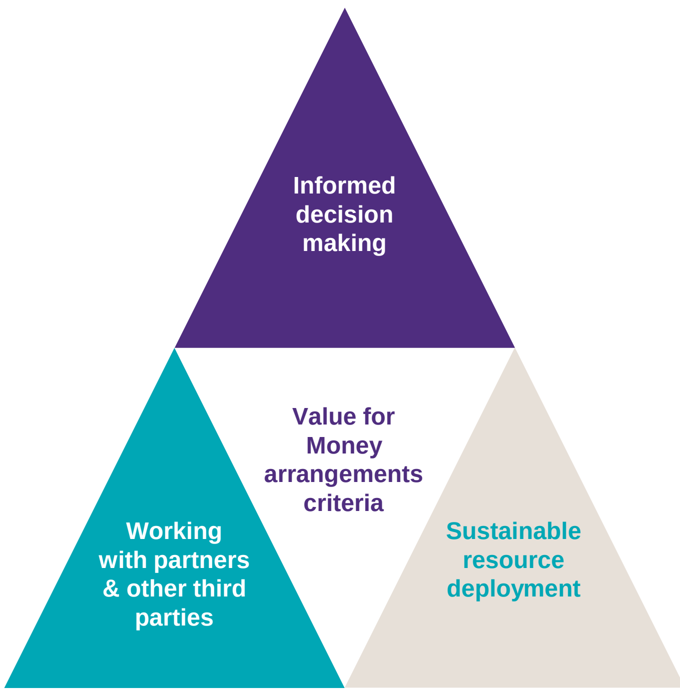
Background to our VFM approach

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in April 2020. AGN 03 identifies one single criterion for auditors to evaluate:

"In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people."

This is supported by three sub-criteria, as set out below:



Risk assessment

We carried out an initial risk assessment in January 2020 and identified a number of significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated February 2020.

Our risk assessment is a dynamic process and we have had regard to new information which emerged since we issued our Audit Plan:

We have not identified any new VfM risks in relation to Covid-19. We do not consider Covid-19 to be a significant risk given the date of the pandemic.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

Value for Money

Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements.

We have set out more detail on the risks we identified, the results of the work we performed, and the conclusions we drew from this work on pages 19 and 20.

Overall conclusion

Based on the work we performed to address the significant risks, we are satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The text of our report, which confirms this can be found at Appendix E.

Recommendations for improvement

We discussed findings arising from our work with management and have agreed recommendations for improvement.

Our recommendations and management's response to these can be found in the Action Plan at Appendix A

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Value for Money

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Findings and conclusion
Financial Sustainability The Council has set a balanced budget for 2020/21, which includes a challenging savings target of £1.9m. The Medium Term Financial Plan shows a cumulative projected budget shortfall of £5.4m over the 2020/21 to 2023/24 period.	Due to the Covid-19 crisis, the Council took a Contingency Revised budget for 2020/21 to Council on 11 August 2020. This was to address some significant adverse variances to the original approved budget that had been caused the coronavirus. The impact on the budget was identified by management as £6.6m, This results from direct costs of the Council deploying staff to its own services and to implement government mandated schemes, and then direct income losses due to enforced closures of facilities, including leisure centres and museums and consequential losses such as car park income and slow recovery after reopening facilities. The Council has not used the furlough scheme but has incurred overtime costs. The Council stopped all recruitment and non-essential spending as an interim measure in April 2020 to combat these challenges and has received Covid-19 support grant of £1.4m to date from the Government, leaving £5.2m of the budget gap to be mitigated by the Council. The report sets out that £2.9m is being drawn from the Council's reserves and £2.3m from budgetary savings in the year. This unplanned draw down on reserves has put additional pressure on the Council, when it already had to identify savings of £5.4m over the life of the Medium Term Financial Plan (MTFP). As a result the Council launched its Recovery Change and Transformation (RCT) programme, phase 1 of which was the Contingency Revised Budget. Phase 2 of the Programme is looking at the medium term impacts of Covid. This will include new working practices, to see what can be learned from the experiences of delivering the Council's services during lockdown. There are ten separate projects included within the RCT Programme. As part of this process the MTFP will also be reviewed, which is critical given the revised budget that had to be set in the year and the knock on impact of this on the assumptions within the MTFP. We are satisfied that the Council has suitable arrangements in place for financial resilience but as with other councils there are significant challenges to be resolved. The Council's current MTFP has a gap of £5.4m over the 2020/21 - 2023/24 period. This was before the Covid-19 crisis that has led to contingency revised budget for 2020/21 to address a budget gap of £6.6m. The Council is now considering the impact of Covid-19 and the associated budget changes in 20/21 on its medium term financial position. The Recovery Change and Transformation Programme is a critical piece of work for the Council to determine how it will deliver its services going forward. This represents a considerable challenge for the Council given the savings it has had to make in recent years.

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Value for Money

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Findings and conclusion
Commercial Property Portfolio The Council are looking to invest further in property beyond its Local Enterprise Partnership (LEP) area into what it defines as its "area of economic opportunity" to provide a source of revenue to support the delivery of its Corporate Strategy. This is a developing area of activity for local government as highlighted by the recent NAO report "Local authority investment in commercial property". The Council needs to ensure that such investments do not expose it to unnecessary risks within the commercial property sector.	We have reviewed the arrangements that the Council have put in place when considering its commercial property investments. The Council sets its Capital Strategy for 2020/21 in February 2020. The Council's Property Investment Strategy is an Annex to the overarching Capital Strategy and is subject to the review of the Property Investment Advisory Board. The Executive has the authority to bid, negotiate and complete on property acquisitions and investments, with the performance being monitored by the Value for Money Overview and Scrutiny Committee. A business case must be produced for all cases, supported by financial modelling. Before the investment proceeds it must determine: • The reason for the investment • The powers under which the investment is made • The extent to which the capital invested is placed at risk • The impact of any potential losses on financial sustainability There is then a governance framework in place, with the Property Investment Advisory Board playing a key role in scrutinising and challenging proposals, and ensuring that appropriate due diligence has been carried out. They also ensure that the strategic direction of the portfolio and investment principles are in line with the strategy. Each property will have an exit strategy in place to ensure that the Council can take action to prevent further loss should its objectives/required return not be achieved. The Property Investment Strategy arrangements would appear to be appropriate but there has been no activity outside of the Waverley area to assess how this is working in practice for property outside the LEP area. The Council have obtained legal advice from a QC who has advised a number of councils who are looking at extending their commercial property portfolio outside of their area. This advice is supportive of the Council's plans but it should be noted that this continues to be a area where guidance is developing. Investment property remains a priority in the Council's Medium Term Finance Plan, however due to the recent consultation on public sector borrowing and the potential exclusion of investment for purely return from PWLB, the Investment Strategy is being revisited alongside the MTFP revision. The Council has not invested in property outside of the Waverley area currently, although its Property Investment Strategy would allow it to do so. This continues to be a fast moving area in Local Government and the Council is revisiting its strategy in the light of potential changes to regulations for investments funded from PWLB as part of the review of the MTFP. We have not identified a risk to our VFM conclusion.

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D

Independence and ethics

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing Benefit Grant	29,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £29,000 in comparison to the total fee for the audit of £48,494 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, there is no contingent element to the fee. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Certification of Housing capital receipts grant	3,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £3,000 in comparison to the total fee for the audit of £48,494 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, there is no contingent element to the fee. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

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These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit Committee. None of the services provided are subject to contingent fees.

Action plan

We have identified a number of recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2020/21 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
Red	**Management assurances – PPE valuation** Management are required to ensure that they have the assurance that they require that the accounts are free from material misstatement. This would include assurances over the work of management's experts, including the valuer and the actuary. This is the second successive year where there has been a material adjustment to PPE valuation.	Management must ensure that their processes for how they gain assurance over the PPE valuation work are robust. This should include senior officer review and challenge of the work and findings of management's experts. **Management response** Recommendation accepted and this aspect will be reviewed in the Autumn in the light of the new roles and structure in the estates team. Strengthened oversight will be included in the closedown plan next year.
Amber	**Segregation of duties – Property valuation** A member of the finance team on secondment from finance was closely involved in the decision making process of the internal valuer. Whilst clear separation of roles can be difficult for relatively small councils, in future greater demarcation of these respective roles should be put in place, as the valuation expert should be objective and separate from the preparation of the financial statements.	Valuation judgements and decisions should be made by the qualified valuer and should be appropriately documented and evidenced. **Management response** This will be picked up in the review referred to above. The finance team have supported the valuer in ensuring that the amounts, as assessed by an appropriately qualified officer, are reflected in the ledger and accounts and also in the provision of working papers to the external auditors.
Amber	**HRA debtors** The Council was unable to provide a breakdown of approximately £300k of historic balances within the HRA debtors but did provide an explanation that the issue was a result of timing differences. This led us having to carry out alternative testing to get assurance over the overall debtors balance.	Management must review the reason for these historic balances and clear or resolve them as appropriate. **Management response** The finance team are still working on this and are confident that a significant element of the unidentified amount will be explained. However, it is recognised that this issue needs to be resolved within the Orchard system and resource will be allocated to this immediately.
Red	**Land and buildings not revalued in the year** Management were unable to provide supporting evidence for how they had considered the year end value of properties that have not been valued and the potential change in valuation. Therefore we carried out our own procedures to gain assurance that the values of properties not revalued in the year were not materially misstated.	Management must introduce processes to assure themselves that the book value of assets that have not been revalued in the year are not materially different to current value at year end. **Management response** Agreed – this will be addressed before the 2020/21 audit. We will also ensure closer liaison with the audit team prior to the audit and during the interim audit stage.

Action plan

We have identified a number of recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2020/21 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
Green	**Narrative Report** The disclosures in the Narrative Report could be enhanced by further details on the following areas: • Details of the performance indicators used by the Council and its performance against them • Detailing the financial performance in line with the EFA and management accounts format, including budgetary information. • The Medium Term Financial Plan section could include details of the budget gaps in future years to emphasise the challenges faced by the Council.	We recommend the Council could enhance the information reported within the Narrative Report in line with the Code recommendations and suggestions. **Management response** Officers appreciate the suggestions and are grateful for the good practice that Grant Thornton are able to identify from other councils' narrative statements.
Amber	**Heritage assets valuation** The last insurance revaluation on one of the Council's heritage assets (on which its value is based in the accounts) was in 2011.	The Council must ensure that it revalues its heritage assets on a more regular basis. **Management response** Noted and the Corporate Asset Manager will implement an appropriate valuation frequency for future years.
Amber	**Expenditure and income analysed by nature** The analysis of the Council's expenditure and income in Note 7 was extremely difficult to agree and included double counting of recharges in fees and charges (£448k) and other service expenditure (£2.1m).	The Council should review its process for the production of this note to ensure that it eliminates any double counting and allows the figures to be agreed to the trial balance. **Management response** Noted and a review will be undertaken to facilitate an easier and more robust analysis.
Amber	**Agreement of the trial balance to the financial statements** The agreement of the trial balance to the Consolidated Income and Expenditure Statement includes lots of manual adjustments, including for recharges, investment property, reserve movements and revenue grants. The level of manual adjustment also meant what should be a straight forward audit task took much longer that we would expect.	The Council should review its cost centre structures and coding arrangements as manual adjustments increase the risk of error and manipulation. **Management response** The ledger is structured to enable sound internal reporting and monitoring at service level. Some manual adjustment is necessary to represent the figures according to the requirements of the code of practice governing year end accounts. However, officers accept that the process could be improved and simplified and this review will be instigated as a matter of priority.

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Follow up of prior year recommendations

We identified the following issues in the audit of Waverley Borough Council's 2018/19 financial statements, which resulted in one recommendation being reported in our 2018/19 Audit Findings report.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	Following challenge from the audit team, a material adjustment has been made to the Council's Property, Plant and Equipment. Management are required to assure themselves that their financial statements are free from material misstated each financial year. We recommended that the issues identified in this year's audit are addressed in valuation arrangements moving forwards.	The issues identified from the 2018/19 audit were addressed for 2019/20, however a material adjustment has been made to the Council's Property, Plant and Equipment again in 2019/20. Management are required to assure themselves over the work of their experts and to ensure that their financial statements are free from material error.

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Assessment

✓ Action completed

X Not yet addressed

Audit adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2020.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance sheet £' 000
Indexation had not been applied to the Council's HRA dwellings. Indexation of 1.95% has now been applied in the amend accounts.		
Council dwellings		8,221
Revaluation reserve		(7,758)
Deficit on revaluation of non-current assets (HRA)	(463)	
Leisure centres were revalued downwards due to changes in the overall asset life and remaining useful economic life (UEL) judgements made in the 2019/20 valuation. When these judgements were challenged by the audit team, management and the valuer have revisited the valuations and underlying assumptions.		
Other land and buildings		
Revaluation reserve		10,250
Commercial services (Gross cost of services)		(1,449)
Subsidiaries (Gross cost of services)	(6,571)	
	(2,230)	
The revaluation of an investment property (Wey Court East) did not agree with the valuation certificate		
Investment Property		250
Net (gain)/loss from fair value adjustments	(250)	
Overall impact	**(9,514)**	**9,514**

Audit adjustments

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Detail	Adjusted?
Use of the going concern assumption	The draft financial statements do not make any reference to the accounts being prepared on a going concern basis.	✓
Note 3 – Critical judgements	The critical judgements note should only disclose judgements that are material to the Council's financial statements	✓
Note 4 – Estimation uncertainty	The estimation uncertainty note should only disclose where estimation uncertainty could be material to the financial statements	✓
Note 7 - Expenditure and income analysed by nature	The analysis of the Council's expenditure and income in Note 7 included double counting of recharges in fees and charges (£448k) and other service expenditure (£2.1m). There was also a classification error between Grant Income and Fees, Charges and Other Service Income of £286k due to a formula error in the spreadsheet.	✓
Note 11 – Property, Plant and equipment	The format of the note with a line adjusting the cost for impairment was not in line with the Code.	✓
Note 11 – Property, Plant and equipment	Downward revaluations of council dwellings had been incorrectly disclosed as impairments. This classification change resulted in the need for a Prior Period Adjustment to restate the 2018/19 figures.	✓

Audit adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2019/20 audit which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below:

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £' 000	Reason for not adjusting
The pension liability in the financial statements and the figure in the actuary's IAS19 report are different, which is due to the Council reflecting actual cumulative payments to the fund. This difference however cannot be estimated with certainty by the Council, who have agreed to adjust this in the 2020/21 accounts.			• Not material
Pensions liability		586	
Pensions Reserve		(586)	
Our testing of the floor area source data used for the valuation of Haslemere Leisure Centre identified a discrepancy in the calculation.			• Not material
PPE		331	
CIES downwards valuation	(331)		
Overall impact	**(£331)**	**£331**	

Impact of prior year unadjusted misstatements

There were no prior year unadjusted misstatements

Fees

We confirm below our final fees charged for the audit and provision of non-audit services

Audit fees	Proposed fee	Final fee
Council audit	41,494	41,494
Audit Fee variations	7,500	TBC
Total audit fees (excluding VAT)	**£48,994**	**TBC**

We set out in our audit plan how the Financial Reporting Council has set its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing. This, coupled with the recent impact of Covid 19, the increased time taken in managing the audit in a more remote working environment, delays in responses to audit queries and additional time taken to resolve issues with some supporting working paper, has clearly impacted our work. We will need to review the actual audit inputs required at the conclusion of our work, to assess any fee implications arising from this. We will advise the Chief Finance Officer and the Audit Committee of any proposed variations to our fees once reviewed.

The proposed fees of £48,994 reconcile to the financial statements.

Non-audit fees for other services	Proposed fee
Certification of Housing benefits grant	29,000*
Certification of Housing capital receipts grant	3,000*
Total non- audit fees (excluding VAT)	**£32,000**

* Estimated fees as work has not yet commenced

Audit opinion

We anticipate we will provide the Council with an unmodified audit report with the inclusion of an "Emphasis of matter" regarding the valuation of property, plant and equipment

Independent auditor's report to the members of Waverley Borough Council

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Waverley Borough Council (the 'Authority') and its subsidiaries (the 'group') for the year ended 31 March 2020 which comprise the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet, the Group Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2020 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Strategic Director and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's and Authority's future operational arrangements.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the group's and Authority's future operational arrangements. However, no audit should be expected to predict the unknowable factors or all possible future implications for an authority associated with these particular events.

Conclusions relating to going concern

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

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

In our evaluation of the Strategic Director's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the Authority's financial statements shall be prepared on a going concern basis, we considered the risks associated with the group's and Authority's operating activities, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit. We analysed how those risks might affect the group's and Authority's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Authority or group will continue in operation.

Emphasis of Matter – effects of Covid-19 on the valuation of land and buildings

We draw attention to Note 4 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Authority's and group's land and buildings as at 31 March 2020. As, disclosed in note 4 to the financial statements, the Covid-19 pandemic created a period of significant uncertainty in relation to many factors that historically have acted as drivers of the property investment and letting markets, with major adverse impacts affecting global stock markets, future economic growth forecasts, and business and consumer confidence. A material valuation uncertainty was therefore disclosed in the Authority's property valuer's report and also in the Surrey Pension Fund's valuation reports for pooled property and private equity investments. Our opinion is not modified in respect of this matter.

Audit opinion

Other information
The Strategic Director is responsible for the other information. The other information comprises the information included in the Annual Financial Report, other than the Authority and group financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.
In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the group and Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.
We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice
Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.
We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice
In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Annual Financial Report, for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Strategic Director and Those Charged with Governance for the financial statements
As explained more fully in the Statement of Responsibilities for the Statement of Accounts the Authority 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 Strategic Director. The Strategic Director is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Strategic Director determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the financial statements, the Strategic Director is responsible for assessing the group's and the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.
The Audit Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion
On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

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

Audit opinion

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate

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

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Jon Roberts, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Bristol

grantthornton.co.uk

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Annual Financial Report 2019-2020

Graeme Clark CPFA
Strategic Director

Waverley Borough Council

Contents

Waverley Borough Council – General Information

Council Offices: Council Offices, The Burys, Godalming, Surrey, GU7 1HR
Telephone: 01483 523333
Website: www.waverley.gov.uk

Councillors

Waverley Borough Council has 57 elected Councillors.

Leader	Cllr J Ward
Deputy Leader	Cllr P Follows

The Council is led by an Executive which, since the election on 2 May 2019, comprises the Leader of the Council and nine other Councillors to create a multi-party Executive. The Executive's responsibilities are divided into portfolios with each Member leading on a specific group of policy issues.

Portfolio Holders as at 31 March 2020

Business Transformation and IT	Cllr P Clark
Operational and Enforcement Services	Cllr N Palmer
Health, Wellbeing and Culture	Cllr D Beaman
Environment and Sustainability	Cllr S Williams
Housing and Community Safety	Cllr A-M Rosoman
Planning Policy, Services and Brightwells	Cllr A MacLeod
Finance, Assets and Commercial	Cllr M Merryweather
Economic Development, Parks and Leisure	Cllr L Townsend

Management Board as at 31 March 2020

Chief Executive	Tom Horwood
Strategic Director and Section 151 Officer	Graeme Clark
Strategic Director	Annie Righton

External Auditors

Jon Roberts
Grant Thornton UK LLP
2 Glass Wharf
Temple Quay
Bristol
BS2 0EL

Narrative Report to the Statement of Accounts 2019/2020

Waverley the Place

Waverley Borough is situated in South West Surrey and is a large rural borough characterised by beautiful countryside, distinctive towns and villages. Waverley is shaped by four distinct settlements; Godalming, Farnham, Haslemere and Cranleigh which bring high streets with character, protected green areas and a diverse business community. Waverley Borough Council (the Council) provides over 110 services to residents and visitors. In May 2019 Waverley held local elections and became 'no-overall control' with a multi-party collaborative Executive.

In accordance with the Council's commitment to openness, this Narrative Report to the Statement of Accounts presents an overview of the Council's finances for the financial year 1 April 2019 to 31 March 2020. It also shows how the Council has performed and identifies the challenges faced and aims to help readers understand the most significant issues reported in the accounts and how they relate to the Council's overall business.

To achieve its objectives the Council employs approximately 450 staff in full-time and part-time positions, including apprentices, in a wide variety of roles. The Council recognises the importance of investing in the development of its employees through staff development and training programmes to enable the delivery of a quality service.

The financial statements presented are those of the Council and its group entities, comprising Shottermill Recreation Ground Trust and the Ewart Bequest, reflecting the stewardship responsibility the Council has over these charitable funds. The Council is sole trustee for the Shottermill Recreation Ground Trust and the Ewart Bequest. The Shottermill Recreation Ground Trust owns the Haslemere Leisure Centre. The Ewart Bequest owns a small number of dwellings in Farnham that the Council manages and maintains.

Purpose/Services

As a local authority the Council's purpose is to deliver a wide range of services to the local community. It also provides and maintains some 4,800 Council houses.

Financial Headlines – the Council:

- Collected £109m of Council Tax of which £10m was kept by the Council to spend on services.
- Collected £38m of Business Rates, most of which was paid to the Government.
- Holds £616m in assets (including Council Dwellings) which generate income to help deliver services.
- Received no core Government grant in 2019/2020.
- Ended the year within budget overall on General Fund and Housing Revenue Account (HRA)
- Spent £15m building new Council-owned social rented homes for Waverley residents over the last three years.

Strategic objectives and Corporate Strategy

The Council provides its services under its overarching Corporate Strategy. The Corporate Strategy 2019-2023 was adopted by the Council in September 2019. The Corporate Strategy provides the Council with direction, priorities and key objectives. Objectives are delivered through annual service reviews agreed with Members and monitored and reported regularly. The full Corporate Strategy 2019-2023 can be found on the Council's website www.waverley.gov.uk.

Key relationships with other parties for effective service delivery:

- Town and Parish councils
- Surrey County Council
- Community Organisations under Service Level Agreements
- Contractor partners, including waste collection, street cleaning, grounds maintenance, housing and the operation of the Council's leisure centres

Major Achievements in 2019/2020

- Adopted the Corporate Strategy 2019-2023.
- Declared a Climate Change emergency and initiated work to develop comprehensive action plan to address the environmental challenges facing the council and its community.
- Delivered the overall budget for 2019/2020 on target, with overspends in a couple of areas offset by surpluses in others.
- Agreed a budget for 2020/2021 with a clear strategy for addressing the medium term budget shortfall, which will be revised in the context of the Covid-19 pandemic.
- Strengthened the Council's Risk Management framework through Member training.
- Bedded-in several major contracts with minimal negative impact and resolving issues that arose.
- Added 10 new dwellings to the Council's affordable housing stock. In addition the Council continues to work on a number of developments that will result in further new properties being available to tenants in the future.
- Conducted a by-election in Milford to elect a new borough councillor.
- Successfully held a neighbourhood plan referendum in Farnham and 'made' the plan as a result.
- The Council and its specialist contractors continued to tackle the incidence of non-pneumophila legionella in a property and made plans to replace pipework.
- Dealt with severe weather and flooding in several parts of the borough.
- Rapidly reorganised and prioritised services that support the vulnerable and the local economy in the face of the Covid-19 pandemic.

Challenges facing the Council

Financial Pressures

- Impact of Covid-19 on 2020/2021 budget and the Medium Term Financial Plan (MTFP) – see specific statements later in the Narrative report.
- Reducing Government Funding – see figure 1.
- Uncertainty about future funding coming from the Government's Fair Funding Review and business rates proposals.
- Inflation in 2019/2020 has impacted on pay, contractor and procurement costs.

Brexit

- Brexit will create uncertainty which could impact on interest rates, inflation, property values and rents. Brexit could also impact on the Council's contractors and its property investments.

Other

- Demographic changes and the budget pressures of adult social care demands being felt by Surrey County Council and filtering down to Borough Councils.
- Government legislation on homelessness.
- Staff recruitment and retention in key professional roles.
- Local high house prices and demand for affordable housing.

Impact of Covid-19 Pandemic

Provision of Services
The outbreak of the Covid-19 pandemic has had a significant impact on the Council and its finances. In response to the outbreak the Council adopted the objective of arranging its resources to support the immediate health, wellbeing and safety of local residents, particularly the vulnerable. Aspects of the Council's business that did not directly contribute to the objective were suspended or significantly scaled down. The Council set up a Covid-19 response group to identify critical impacts on residents, businesses and council operations and determine actions to take to minimise these. The group also aimed to effectively communicate the actions that were taken to councillors, residents, contractor and appropriate agencies. It was also essential to ensure that this work linked with that of the Local Resilience Forum at a Surrey Level. More details on Waverley's response can be found in a report to the Executive on 12 May 2020.

The Council's staff
The Council's workforce was diverted to focus on key priority services and to resource the delivery of the roll out of the Government's initiatives to support business through business rate reliefs and grants. New initiatives were adopted to support those most vulnerable in the community in the form of telephone support and connection with localised befriending and help services, which included shopping and prescription collection for the shielding and vulnerable.

Since March only 10% of staff have attended the office with all others working remotely. Additional IT investment improved operating speed for the high volume of remote workers and new remote meeting technology enabled a speedy return to near business as usual. Staff views have been continuously reviewed during the period and adjustments made to working practices as a result. There has been no significant increase in sickness levels during this period.

Reserves, financial performance and financial position
The impact of Covid-19 on the Council's financial position, reserves and financial performance are significant in 2020/2021. However, the 2019/2020 outturn shows negligible impact against budget. The reserves at the Balance Sheet date were as forecast. Substantial losses in income across a number of service areas such as car park income, planning fees, leisure centres will mean that the level of reserves in 2020/2021 will be significantly depleted. A contingency budget was presented for scrutiny and approval in July 2020 which showed a £6.6m budget deficit. Approximately half of this deficit is being addressed with budget measures and half from drawing on reserves. (Overview and Scrutiny Committee – Value for Money and Customer Service 13 July 2020).

The Council's MTFP will be reassessed in light of the anticipated financial impact of Covid-19 and a separate work stream and associated governance processes have been established under the overarching Recovery, Change and Transformation programme, details included via above link. This will identify future demands on service budgets including the Housing Revenue Account. Robust budget monitoring will be will be undertaken to ensure further corrective action is taken quickly if necessary.

The Council already had a transformation programme under way to deliver efficiencies and savings through a number of work streams and projects. A number of these initiatives will be accelerated or given greater priority to help mitigate the impact on the Council's finances.

The Council's Capital Programme for 2020/2021 will extend to only those schemes that are essential. The Capital financing strategy will be reviewed as part of the MTFP update.

The Housing Revenue Account has been impacted in 2020/2021, mainly in terms of longer void periods and delayed rent payments. However, a plan has been agreed which will restore the budget and balances to projected levels by the end of the 2020/2021 financial year.

Cash Flow management
The main areas impacted by Covid-19 are council tax and business rate collection and income from fees and charges, such as car parks. It is expected that overall cash flow in quarter 1 of 2020/2021 can be managed without taking drastic action as the Government has deferred some major payments and officers have retained sufficient liquidity in treasury activity but the position may deteriorate in quarter 2 as the business grants are finalised and payments to the government resume.

Risks and Opportunities to Waverley
Given the overall success of Waverley working under these challenging conditions, there are opportunities to lock-in the good practices, sound leadership and creative problem solving that staff have demonstrated. There are clearly risks to Waverley's finances and the significant use of reserves will impact on financial resilience in the future, particularly given the £5.4m budget shortfall already projected in the MTFP.

Governance
In April 2020 it was clear that the impact on the Council's business of Covid-19 would be long lasting so the emergency response team started a process to review governance and decision making. Remote meetings were facilitated and a revised structure was approved for planning meetings. During May and June 2020, the full range of democratic meetings were held successfully with all participants joining remotely and the meetings being broadcast publicly.

Annual Governance Statement

The Annual Governance Statement (AGS), which is detailed at page 101, documents the Council's approach to governance and ensures there are robust rules, systems and information available for managing and delivering services to the local community. The AGS also identifies any issues arising in the year and details actions taken to address them. There have been no significant changes in governance arrangements during the year.

The Council's Audit Committee provides oversight of the arrangements for financial governance as well as the management of risk.

Financial Performance

The Council has a good track record of sound financial management as endorsed annually by its external auditors.

The Council has a number of short, medium and long term plans to direct resources into service delivery and outcomes that fulfil its strategic and operational objectives for meeting the needs of the community.

These plans comprise:

Capital Strategy	Brings together the Council's detailed policies, procedures and plans relating to cash investments and property assets.
Medium Term Financial Plan	Sets out the pressures and opportunities over the next four years and strategy to address the forecast funding shortfall to ensure there will be sufficient resources for service delivery.
Annual revenue budget	To provide services during the year.

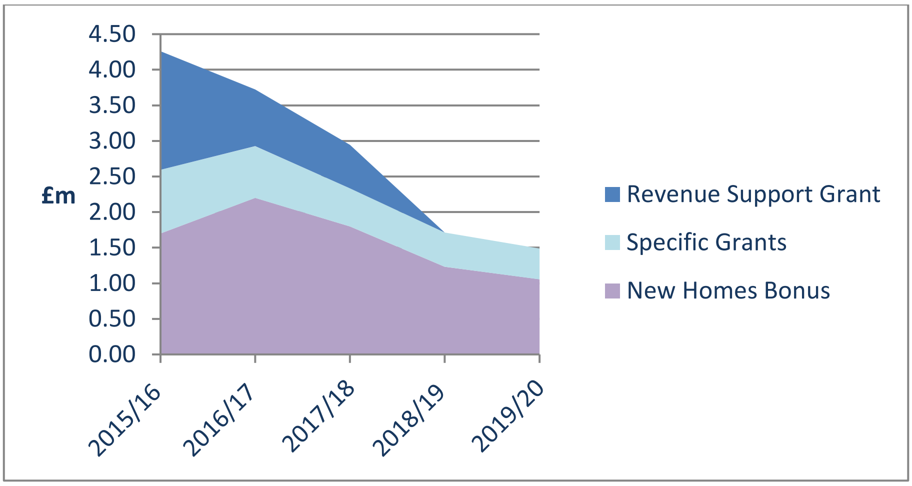
Capital programme	Delivery of projects for longer term benefits including income generation. The Council has a three year rolling capital programme.

The key resources on which the Council depends are:

Financial Resources
- Local taxation
- Income raised from fees & charges and property rents
- Grants

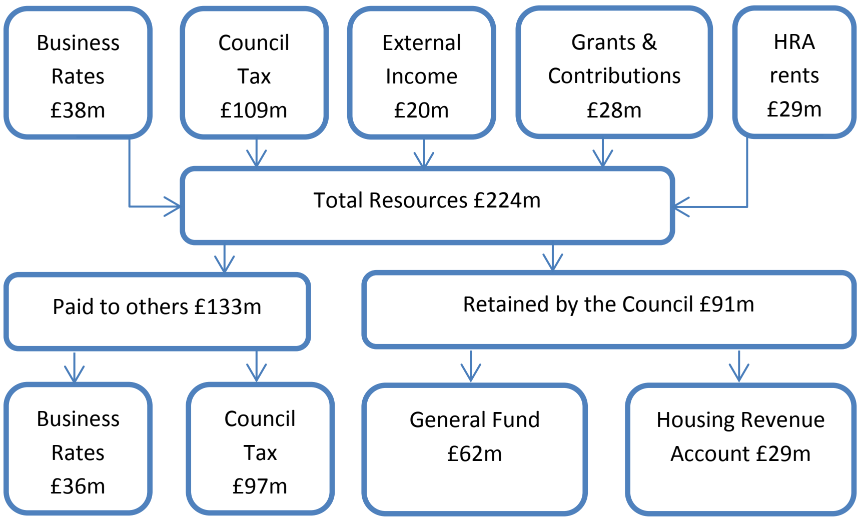
Non Financial Resources
- Skilled and experienced staff
- Partnerships with other organisations
- Information sharing

Figure 1. Total Government revenue funding:



Cash flow

Figure 2. The Council's incoming resources and where they go:



Revenue spend for year

Through sound financial management and budgetary control during 2019/2020 the Council has again maintained service delivery without cuts.

In 2019/2020 Council spending on General Fund Services reported an overall surplus against budget of £325,000 (2%) against an approved net budget of £13.2 million. The main contributors to this are:

- Additional Interest Income
- Staff Savings through deferred recruitment

However, some services suffered a downturn in income, notably building control and planning where a downward trend was experienced industry-wide.

The finances for the Council's council houses are maintained in a ring-fenced account called the Housing Revenue Account (HRA). The HRA has an agreed 30-year Business Plan. Revenue spend for the year was within budget.

The cost of providing services is detailed in the Comprehensive income and Expenditure Statement at page 12 and shown in table 1. Below:

Table 1.	Gross Expenditure	Gross Income	Net Expenditure
	£'000	£'000	£'000
General Fund			
Policy and Governance	5,095	(923)	4,172
Planning & Economic Development	5,555	(2,151)	3,404
Business Transformation	1,720	(644)	1,076
Finance and Property	26,562	(24,733)	1,829
Commercial Services	10,273	(5,421)	4,852
Environmental Services	9,796	(7,637)	2,159
Housing Delivery & Communities	2,431	(1,532)	899
Housing Revenue Account	20,668	(29,474)	(8,806)
Subsidiaries (Trusts)	274	(110)	164
Net Cost of Services	**82,374**	**(72,625)**	**9,749**

Capital Spend

Spend on the Council's assets totalled some £12.6million:

Table 2.	Actual
	£'000
House renovation grants mainly for disabled people	512
Information technology to support customer services	180
Recreation and leisure facilities	45
CIL funded Towns and Parish projects	275
Other minor capital spend	170
New affordable homes	6,891
Improving council homes	4,535
Total Capital Spend	**12,608**

Risks and Opportunities

The Council has a risk management strategy in place to identify and evaluate risk. This strategy is subject to regular review and updating. Through understanding risk the Council is able to support better decision making and identify opportunities, as well as threats, in relation to future service provision.

In 2019/2020 the Council updated its Strategic Risk Register to reflect the adoption of the Corporate Strategy 2019-2023 and climate change emergency resolution. The Strategic Risk Register underpins the achievement of the objectives within the Corporate Strategy. It shows the high-level risks that could prevent the Council from achieving its corporate aims and objectives and includes mitigation against these risks as well as a risk rating and impact assessment.

The key themes, being seen as the most significant to the Council in achieving its Corporate Strategy objectives are:

- On-going impact of Covid-19 pandemic, including the economic implications
- Finance – Medium Term Financial Plan and addressing the projected budget gap
- Deliver housing options for people in need of affordable housing
- Achieving sustainable housing needs for the future
- A sense of responsibility for our environment, promoting biodiversity and protecting our planet
- Responsible planning and supporting place-shaping and local engagement in planning policy
- Promoting the use of environmentally sustainable transport options, including reducing the need to travel and supporting the use of electric vehicles
- Promoting a business-friendly culture that supports local businesses and helps those wanting to locate to the borough
- Delivering a Property Investment Strategy that supports the local economy, while providing additional income to the Council
- Ensuring the council operates in an open, democratic manner where all residents feel valued and able to contribute

Financial Statements

This Narrative Report accompanies the Statement of Accounts. The Statement of Accounts sets out the Council's income and expenditure for the year and its financial position at 31 March 2020. The Statement of Accounts, which comprises statements and disclosure notes, has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), and complies with International Financial Reporting Standards (IFRS).

The statement of accounts is subject to external audit scrutiny and opinion. This Narrative Report and the Annual Governance Statement, whilst outside the scope of this certification, are considered by the external auditors to confirm in their opinion they are materially consistent with their knowledge of the Council.

The Core Financial Statements are:

The **Comprehensive Income and Expenditure Statement** (page 12) which records all the Council's income and expenditure for the year based on the organisational structure under which it operates and manages its services. The top half of the statement provides an analysis by service area. The bottom half of the statement deals with corporate transactions and funding.

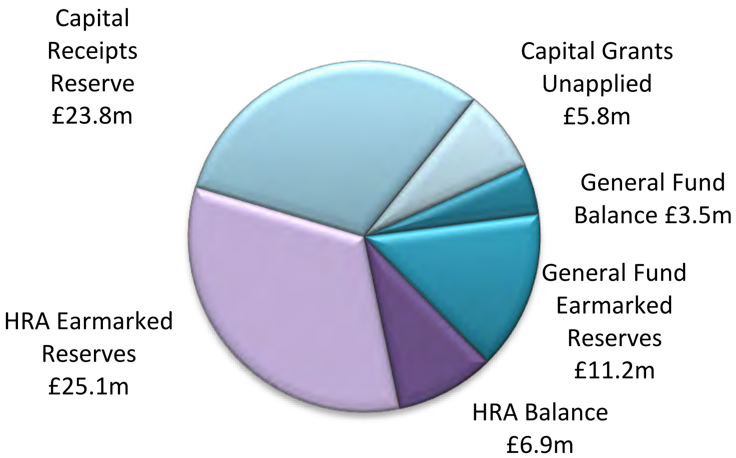
The **Movement in Reserves Statement** (page 14) shows movement in the year on the different reserves held by the Council, analysed into 'usable' reserves, those that can be applied to fund expenditure, invest in capital projects or service improvements and 'unusable' reserves which reflect the value of the Council's non-current assets (Property, Plant and Equipment, Investment Property, Heritage Assets and Intangible Assets) and are not available to be spent.

Usable reserves are maintained at prudent levels and are subject to any statutory limitations on their use. The Council's Financial Strategy and HRA Business Plan set out approved minimum levels of working balances at £3.2million for the General Fund and £2million for the Housing Revenue Account.

The **Balance Sheet** (page 16) shows the value, as at the balance sheet date, of the Council's assets, liabilities, cash balances and reserves.

The Council has usable reserves of £76.3million as at 31 March 2020 which are summarised in figure 3. below.

Figure 3. Usable Reserves



The **Cash Flow Statement** (page 17) shows the changes in actual cash and cash equivalents during the year and whether that change is due to operating activities, new investment, or financing activities (such as the repayment of borrowing).

The **Housing Revenue Account** (page 80) details the expenditure, funded from rents, on the Council's statutory landlord function as a provider of social housing under the Local Government and Housing Act 1989.

The **Collection Fund** (page 88) summarises the collection of Council Tax and Business Rates and the redistribution to preceptors, the Government and the Council's General Fund.

Measuring Performance in 2019/2020

The Council measures and monitors performance in a number of ways:

- At a **strategic** level the Council sets out its objectives in the Corporate Strategy and measures performance against these objectives.
- At a **service level** Service Plans are prepared annually which set out the actions that underpin the Corporate Strategy. Delivery of Service Plan actions is reported to Overview & Scrutiny Committees and in 2019/2020 over 89% of the service plan actions were completed successfully. The delivery of the remaining actions, which were partially completed at the end of the year, were carried forward to 2020/2021.
- At an **operational** level the Council uses a set of key performance indicators to monitor performance in services such as housing, environment, planning and leisure. The final performance figures for 2019/2020 will be reported to the Executive in September 2020. Notable successes were:

- o Mobilising new waste, recycling, street cleaning and ground maintenance contracts
- o Improvements in benefits claims processing resulting in much shorter turnaround times and improved customer experience.
- o Achieving higher than target performance for processing planning applications.
- o Continuing excellent homelessness prevention resulting in very low or no homeless households in temporary accommodation.

❖ At an **individual** level the Council operates a system of personal performance reviews which set objectives and assess performance against objectives.

❖ Management of cash flow is monitored during the year with a target of achieving an average daily cash balance of less than £25,000.

Looking ahead – addressing the financial challenges

As Chief Financial Officer I consider that the Council is well placed to face the challenges ahead given the Council's approved financial plan and its track record responding to budget pressures. Despite the substantial financial and operational challenges faced by the Council since March 2020 due to Covid-19, officers have worked closely with councillors to understand the issues and agree sensible, deliverable mitigation measures.

In the light of continued financial pressure from government cuts and the impact of new legislation the Council must adapt to the challenges and changes ahead. The Council has developed plans which include focusing on strengthening resilience in operations and policies including financial and staffing resilience. Policies such as the Property Investment Strategy and non-dependency on New Homes Bonus will put the Council in a stronger position to withstand the financial challenges it faces in the future.

The medium and long term strategies and plans to address any future funding shortfalls include:

- Cost savings from better procurement
- More commercial approach and new income opportunities
- Business transformation and customer service improvement
- Property income
- Council tax increases

The Council's aim is to continue to provide high quality services and replace diminishing traditional resources with alternative sources of income whilst also reducing its cost base.

To use its resources to maximum effect the Council will continue to:

- Strengthen its approach to risk management while also recognising this may bring opportunities to try new ventures and ways of working.
- Spend appropriately to keep its assets fit to maintain service delivery.
- Consider different or innovative ways of delivering services including partnership working where appropriate.
- Improve performance and project management.
- Review all services and their budgets to identify areas of further efficiency and value.

Graeme Clark, Strategic Director and S151 Officer **Dated: 17 July 2020**

Statement of Responsibilities for the Statement of Accounts

The Council's responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Strategic Director (Chief Finance Officer and Section 151 Officer);
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

The Chief Finance Officer's responsibilities

The Strategic Director (Chief Finance Officer and Section 151 Officer) is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA (Chartered Institute of Public Finance and Accountancy) *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code).

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

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

The Chief Finance Officer has also:

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

We certify that the Statement of Accounts gives a true and fair view of Waverley Borough Council's financial position at 31 March 2020 and of its income and expenditure for the year then ended.

Graeme Clark
Strategic Director

Dated: 17 July 2020

Councillor Peter Marriott
Audit Committee (Chairman)

Dated:

Financial Statements

Group Comprehensive Income and Expenditure Statement (CIES)

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation or rents. Local Authorities raise taxation and rents to cover expenditure in accordance with statutory requirements, this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2018/2019 Gross Expenditure £'000	2018/2019 Gross Income £'000	2018/2019 Net Expenditure £'000		2019/2020 Gross Expenditure £'000	2019/2020 Gross Income £'000	2019/2020 Net Expenditure £'000
			Continuing Operations			
			General Fund			
4,141	(440)	3,701	Policy and Governance	5,095	(923)	4,172
5,105	(2,126)	2,979	Planning and Economic Development	5,555	(2,151)	3,404
941	(274)	667	Business Transformation	1,720	(644)	1,076
31,453	(29,501)	1,952	Finance and Property	26,562	(24,733)	1,829
14,307	(6,128)	8,179	Commercial Services [1]	10,273	(5,421)	4,852
10,147	(7,637)	2,510	Environmental Services	9,796	(7,637)	2,159
2,347	(1,434)	913	Housing Delivery and Communities	2,431	(1,532)	899
26,799	(29,973)	(3,174)	**Housing Revenue Account** (p80)	20,668	(29,474)	(8,806)
312	(203)	109	Subsidiaries (Trusts)	274	(110)	164
95,552	**(77,716)**	**17,836**	**Net Cost of Services**	**82,374**	**(72,625)**	**9,749**
			Other Operating Expenditure			
		3,129	Precepts of Parish/Town Councils			3,267
		759	Contribution of Housing Capital Receipts to Government Pool			888
		(2,572)	(Gain)/Loss on disposal of non-current assets			(3,328)
			Financing and Investment Income and Expenditure			
		5,583	Interest payable and similar charges			5,521
		1,539	Pension Interest Cost & Expected Return on Pension Assets (note 36)			1,643
		(668)	Interest and Investment Income			(905)
		(1,513)	Investment Properties (note 16)			(221)
		615	Impairment Losses (Financial Assets)			193
			Taxation and Non-Specific Grant Income & Expenditure			
		(12,810)	Council Tax income			(13,216)
		(3,866)	Business Rates income and expenditure			(2,221)
		(1,322)	Non-ringfenced Government grants (note 10)			(1,462)
		(1,704)	Capital grants and contributions			(2,855)
		5,006	**(Surplus)/Deficit on Provision of Services**			**(2,947)**
		(10,798)	(Surplus)/Deficit on revaluation of non-current assets (p62)			(13,833)
		5,713	Remeasurement on Pension Fund Assets & Liabilities (p64)			(5,260)
		(5,085)	**Other Comprehensive Income and Expenditure**			**(19,093)**
		(79)	**Total Comprehensive Income and Expenditure**			**(22,040)**

1. The movement between 2018/2019 and 2019/2020 reflects ravaluation losses in the valuation of Cranleigh Leisure Centre and Farnham Sports Centre. These losses were debited to the Provision of Services as there was no balance in the Revaluation Reserve to offset the loss. The loss is then reversed out in the Movement in Reserves Statement.

Reconciliation of the Single Entity Surplus for the Year to the Group Surplus

This reconciliation statement summarises the difference between the outturn on the Group Comprehensive Income and Expenditure Statement and the Single Entity (Surplus) or Deficit.

The role of this reconciliation is to show how the various group entities have contributed to the overall (Surplus)/Deficit on the Group Comprehensive Income and Expenditure Statement.

2018/2019 £'000		2019/2020 £'000
17,836	**Group Net Cost of Services**	**9,749**
	Less Subsidiary transactions:	
	Net cost of Services	
(176)	Shottermill Recreation Ground	(174)
67	Ewart Bequest	10
17,727	**Single Entity Net Cost of Services**	**9,585**
(12,830)	**Group Other Income and Expenditure**	(12,696)
	Less Subsidiary transactions:	
1	Shottermill Recreation Ground	2
13	Ewart Bequest	15
(12,816)	**Single Entity Other Income and Expenditure**	**(12,679)**
4,911	**(Surplus)/Deficit for the year on the Single Entity Comprehensive Income and Expenditure Statement**	**(3,094)**

5,006	**(Surplus)/Deficit on Provision of Services - Group** (page 12)	(2,947)
(95)	Less Subsidiary transactions (identified above)	(147)
4,911	**(Surplus)/Deficit for the year on the Single Entity Comprehensive Income and Expenditure Statement**	**(3,094)**

Group Movement in Reserves Statement 2019/2020

This Statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable' reserves (ie those that can be used to fund expenditure or reduce local taxation) and other 'unusable' reserves. The statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax and rents for the year. The Net (Increase)/Decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments.

	Usable Reserves								
	General Fund Balances	Housing Revenue Account Balances	Capital Receipts Reserve	Capital Grants Unapplied Account	**Total Usable Reserves**	**Total Unusable Reserves** See note 25	**Total Authority Reserves**	**Trust Reserves**	**Total Group Reserves**
	£'000	£'000	£'000	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 31 March 2019	(13,437)	(30,528)	(25,268)	(2,948)	(72,181)	(275,118)	(347,299)	(11,798)	(359,097)
Movement in reserves during 2019/2020									
Total Comprehensive Income and Expenditure	582	(3,676)	0	0	(3,094)	(17,228)	(20,322)	(1,718)	(22,040)
Adjustments between accounting basis and funding basis under regulations (note 8)	(1,873)	2,204	1,487	(2,843)	(1,025)	1,025	0	0	0
(Increase)/Decrease in 2019/2020	(1,291)	(1,472)	1,487	(2,843)	(4,119)	(16,203)	(20,322)	(1,718)	(22,040)
Balance at 31 March 2020 (carried forward)	**(14,728)**	**(32,000)**	**(23,781)**	**(5,791)**	**(76,300)**	**(291,321)**	**(367,621)**	**(13,516)**	**(381,137)**

Group Movement in Reserves Statement 2018/2019 - comparative information

	Usable Reserves								
	General Fund Balances	Housing Revenue Account Balances	Capital Receipts Reserve	Capital Grants Unapplied Account	**Total Usable Reserves**	**Total Unusable Reserves** See note 25	**Total Authority Reserves**	**Trust Reserves**	**Total Group Reserves**
	£'000	£'000	£'000	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 31 March 2018	(11,427)	(26,428)	(23,341)	(2,033)	(63,229)	(283,917)	(347,146)	(11,872)	(359,018)
Movement in reserves during 2018/2019									
Total Comprehensive Income and Expenditure	3,255	1,656	0	0	4,911	(5,064)	(153)	74	(79)
Adjustments between accounting basis and funding basis under regulations (note 8)	(5,265)	(5,756)	(1,927)	(915)	(13,863)	13,863	0	0	0
(Increase)/Decrease in 2018/2019	(2,010)	(4,100)	(1,927)	(915)	(8,952)	8,799	(153)	74	(79)
Balance at 31 March 2019 (carried forward)	**(13,437)**	**(30,528)**	**(25,268)**	**(2,948)**	**(72,181)**	**(275,118)**	**(347,299)**	**(11,798)**	**(359,097)**

Group Balance Sheet as at 31 March 2020

The Balance Sheet shows the value as at the 31 March of the assets and liabilities of the Council. The net assets (assets less liabilities) of the Council are matched by the reserves held by the Council. Reserves are reported in two categories. The first category is usable reserves, ie those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and to any statutory limitations on their use. The second category is those that the Council is not able to use to provide services. This category of reserves is called unusable reserves (see note 25).

31 March 2019 Group £'000		Note	31 March 2020 Single Entity £'000	Subsidiaries £'000	Group £'000
	Property, Plant and Equipment	11			
422,418	Council Dwellings		429,816		429,816
89,650	Other Land and Buildings		78,532	11,836	90,368
2,943	Vehicles, Plant and Equipment		2,508	77	2,585
573	Infrastructure Assets		571		571
218	Community Assets		218		218
365	Assets Under Construction		5,235		5,235
516,167			516,880	11,913	528,793
26,502	**Investment Property**	16	25,984		25,984
1,275	**Heritage Assets**		1,277		1,277
312	**Intangible Assets**		293		293
9,116	Long Term Investments	17	17,180		17,180
553,372	**Total Long-Term Assets**		561,614	11,913	573,527
	Current Assets				
47,017	Short Term Investments	17	46,162		46,162
274	Assets Held for Sale		0		0
9	Inventories		9		9
8,981	Short Term Debtors	21	9,740	18	9,758
11,419	Cash and Cash Equivalents	22	13,173	1,594	14,767
67,700	**Total Current Assets**		69,084	1,612	70,696
621,072	**Total Assets**		630,698	13,525	644,223
	Current Liabilities				
(4,296)	Short Term Borrowing	17	(4,375)		(4,375)
(11,394)	Short Term Creditors	23	(17,644)	(9)	(17,653)
(1,177)	Provisions	17	(1,507)		(1,507)
(16,867)	**Total Current Liabilities**		(23,526)	(9)	(23,535)
	Long-Term Liabilities				
(175,617)	Long-term Borrowing	17	(171,314)		(171,314)
(67,987)	Pensions Liability	36	(66,232)		(66,232)
(1,504)	Capital Grants Receipts in Advance		(2,005)		(2,005)
(245,108)	**Total Long-Term Liabilities**		(239,551)	0	(239,551)
359,097	**Net Assets**		**367,621**	**13,516**	**381,137**
	Financed by:				
(73,685)	Usable Reserves		(76,300)	(1,603)	(77,903)
(285,412)	Unusable Reserves	25	(291,321)	(11,913)	(303,234)
(359,097)	**Total Reserves**		**(367,621)**	**(13,516)**	**(381,137)**

Group Cash-Flow Statement

The Cash-Flow statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing or 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, grant income or from recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to 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 (ie borrowing) to the Council.

2018/2019			**2019/2020**		
£'000		Note	**Single Entity £'000**	**Group Activities £'000**	**Group Total £'000**
5,006	**Net (Surplus)/Deficit on the Provision of Services ***		**(3,094)**	**147**	**(2,947)**
(24,844)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	26	(21,963)	(249)	(22,212)
6,550	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	26	8,448		8,448
(13,288)	**Net Cash-flows from Operating Activities**	29	(16,609)	(102)	(16,711)
7,035	**Investing Activities**	27	9,386	3	9,389
2,290	**Financing Activities**	28	3,974		3,974
(3,963)	**Net (increase)/decrease in Cash and Cash Equivalents**		**(3,249)**	**(99)**	**(3,348)**
7,456	Cash and Cash Equivalents at the beginning of the reporting period		9,924	1,495	11,419
11,419	Cash and Cash Equivalents at the end of the reporting period	22	13,173	1,594	14,767
3,963	**Movement in Cash increase/(decrease)**		**3,249**	**99**	**3,348**

* See Group Comprehensive Income and Expenditure Statement page 12 and 13.

For notes on the Group Cash-Flow Statement see notes 26-29.

Notes to the Financial Statements

1. Statement of Main Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Council's consolidated group account transactions for the 2019/2020 financial year and its position at the year-end on 31 March 2020. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/2020 (the Code), supported by International Financial Reporting Standards (IFRS).

The Statement of Accounts have been prepared on a going concern basis of accounting on the assumption that the functions of the Council will continue in operational existence for the foreseeable future.

The Chief Finance Officer reviews the Accounting Policies to give assurance that there are no material changes to those previously approved for the financial year.

The Group Accounts consolidate the accounts of the Shottermill Recreation Ground Trust and the Ewart Bequest (see 1.22). The accounts for these Trusts are prepared in accordance with The Charities Act 2015, and applicable regulations.

The accounting convention adopted in the Statement of Accounts is historical cost with the exception of the revaluation of certain categories of non-current assets and financial instruments.

The notes to the accounts represent the single entity accounts but have been supplemented by additional notes incorporating group transactions where the activity is material.

1.2 Accruals of Income and Expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.

- 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 payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract. However, as the Council borrowings and investments are either of a short duration or have fixed-interest rates, the 'effective interest rate' accounting method is generally equal to the fixed contractual cash flows on a single investment.

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded on the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected. The de minimis for the accrual of a single item is £1,000.

- Revenue from council tax and business rates is measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.

- Where the amount of an item of revenue or expenditure relating to the financial year is not known at the 31 March, estimation techniques are applied to ensure that the accounts reflect the most likely position.

1.3 Council Tax and Business Rates

Billing authorities act as agents, collecting Council Tax and Business Rates on behalf of the major preceptors (including Central Government for Business Rates), and as principals, collecting Council Tax and Business Rates for themselves. Billing authorities are required by statute to maintain a separate fund (the Collection Fund) for the collection and distribution of amounts due in respect of Council Tax and Business Rates. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of Council Tax and Business Rates collected could be less or more than estimated.

Accounting for Council Tax and Business Rates

The Council Tax and Business Rates income included in the Comprehensive Income and Expenditure Statement (CIES) is the Council's share of accrued income for the year. Regulations, however, determine the amount of Council Tax and Business Rates that must be included in the Council's General Fund. The difference, therefore, between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Council's share of the end of year balances in respect of Council Tax and Business Rates relating to arrears, impairment allowances for bad debts, overpayments, prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Collection Fund. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

1.4 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are, in accordance with the Council's Treasury Management Policy, investments identified as meeting short-term needs rather than for investment purposes. They are identified as those held 'on call' with a bank or building society rather than invested in longer term Fixed Deposits. They are readily convertible to known amounts of cash with insignificant risk of change in value.

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. Bank overdrafts will also form part of cash and cash equivalents where the bank balance fluctuates between cash in hand and cash overdrawn between years.

1.5 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

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

1.6 Charges to Revenue for Non-Current Assets

Non-Current Assets are all Property, Plant, Equipment, Intangible and other assets that bring longer term benefits (for a period of more than one year) to the Council, its customers and the services it provides.

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible assets attributable to the service

The Council is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisation. Depreciation, revaluation and impairment losses and amortisation are, therefore, replaced by a contribution in the General Fund Balance of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

The General Fund is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement of an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. This is called the Minimum Revenue Provision (MRP).

1.7 Employee Benefits

Benefits Payable during Employment

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. These are charged on an accruals basis to the appropriate service, or where applicable, to a corporate service segment in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructure.

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

Post Employment Benefits

Most employees of the Council are members of the statutory Local Government Pension Scheme administered by Surrey County Council (the Surrey Pension Fund). This scheme provides defined benefits to members (retirement lump sums and annual pensions), earned while employees of the Council.

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

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

- Liabilities are discounted to their value at current prices, using a discount rate of 2.3% in 2019/2020.

- The assets of the Pension Fund attributed to the Council are included in the Balance Sheet at their fair value:

  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value

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

- Service cost comprising:

  - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
  - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of the Finance and Property Services segment. Annual pension increases are calculated using CPI.
  - net interest on the net defined benefit liability (asset), ie net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period - taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

- Remeasurements comprising:

  - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
  - actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as other Comprehensive Income and Expenditure.

- Contributions paid to the pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities - not accounted for as an expense.

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

Discretionary Benefits

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

1.8 Events after the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

1.9 Financial Instruments

The definition of a financial instrument is "any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity".

The term 'financial instrument' covers both financial assets and financial liabilities. These range from straightforward trade receivables (trade debtors) and trade payables (trade creditors) to more complex transactions such as financial guarantees, derivatives and embedded derivatives. The Council's borrowings and investment transactions are also classified as financial instruments. There has been no change in the valuation technique used during the year for the financial instruments. Amounts relating to council tax, business rates and payments and overpayments of Housing Benefit etc are outside the scope of these accounting provisions as they are statutory debts and do not arise from contracts.

Financial Liabilities

A Financial Liability is an obligation to transfer economic benefits controlled by the Council that is represented by a contractual obligation to deliver cash or another financial assets to another entity or an obligation to exchange financial assets and liabilities with another entity under conditions that are potentially unfavourable to the Council.

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

For the Council's borrowing, this means that the amount presented on the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Borrowing costs are interest payments and other costs incurred in connection with the borrowing of funds. The Council has a policy of expensing borrowing costs and they are recognised as expenditure in the period in which they are incurred.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund or Housing Revenue Account Balance to be spread over future years.

Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that are represented by cash or other instruments or a contractual right to receive cash or another financial asset.

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 measured at:

- 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 (ie 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 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 Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement. However, at the 31 March the interest due but not received is included with the investment figure shown on the Balance Sheet, rather than treated as a debtor.

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

The Council's portfolio of investments and Trade Receivables are measured at amortised cost. This form of measurement does not change the amount of cash receivable under the terms of the transaction.

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost (or where relevant FVOCI), either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

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 an 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-month expected losses.

Financial Assets Measured at Fair Value through Profit and Loss

The Council does not have any material assets on its Balance Sheet classified required to be measured at Fair Value through Profit or Loss.

1.10 Government Grants and Contributions

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

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

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

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

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund or Housing Revenue Account 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.

Grants to cover general expenditure, eg retained Business Rate income and New Homes Bonus are non-ring-fenced and are credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

Community Infrastructure Levy

The Council approved its Community Infrastructure Levy (CIL) Scheme to take effect from March 2019. The levy will be charged on new builds (chargeable developments for the Council) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects to support the development of the area.

The CIL is received without outstanding conditions. It is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, up to 5% of the charges may be used to fund revenue expenditure for administration expenses.

1.11 Heritage Assets

Heritage assets are assets held and maintained principally for their contribution to knowledge and culture and are intended to be preserved in trust for future generations because of their cultural, historical, artistic, scientific, technological, geological or environmental associations. Provided that they meet this definition, heritage assets can be tangible such as historic buildings, civic regalia, museum collections and works of art or intangible such as recordings of historical events.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment, eg where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment – see 1.17 page 33 in this Statement of Main Accounting Policies. If a heritage asset is disposed of, the proceeds would be accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment.

Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (see 1.17 page 34).

Recognition and Measurement: Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. They are principally measured at insurance valuation based on market value updated annually or external valuation if appropriate.

The Council has set a de minimis level for the recognition of heritage assets of £5,000.

Depreciation: Most of the heritage assets are not subject to depreciation because of indeterminable lives, high residual values or the valuations being updated annually. However, depreciation may be charged if appropriate and in accordance with the Council's general policies on depreciation shown at 1.17 on page 33.

1.12 Interests in Companies and Other Entities

The Council, as sole Trustee, has a material interest in the Shottermill Recreation Ground Trust and the Ewart Bequest. According to the Code both are considered a subsidiary for the purpose of preparing this Statement of Accounts and, therefore, the Council is required to produce group accounts incorporating the accounts of the Shottermill Recreation Ground Trust and the Ewart Bequest.

1.13 Long-term Contracts

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.

1.14 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. In such cases the asset is then accounted for as property, plant and equipment.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, Investment Properties are measured at highest and best use. They are not depreciated but are revalued annually, by the Council's valuer, according to market conditions at the year-end unless the carrying value is not materially different from the fair value. Gains and losses on revaluation are accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

1.15 Leases

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

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

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

The Council as Lessee

Finance Leases

The Council has no material assets acquired under finance leases.

Operating Leases

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

The Council leases in a small number of assets under operating leases.

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line on the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and

- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

Operating Leases

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

The Council owns a number of non-current assets that are leased out under operating leases.

1.16 Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance. The HRA element is charged to the HRA revenue account.

1.17 Property, Plant and Equipment

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

Recognition: Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an 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 (ie repairs and maintenance) is charged as an expense when it is incurred.
The Council has a de minimis level for the recognition of non-current assets of £5,000 for vehicles, plant and equipment (including Information Technology equipment) and £10,000 for land and buildings.

Component Accounting: this requires assets to be separated into component parts and recognised, depreciated and derecognised separately where those component parts have a cost that is significant in relation to the total cost of the asset and require a different useful life and method of depreciation to be used.

Measurement: Assets are initially measured at cost, comprising:
- The purchase price.
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The cost of assets acquired other than by purchase is deemed to be their fair value, unless the acquisition does not have commercial substance (ie it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

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

- Infrastructure, community assets and assets under construction – depreciated historical cost.
- Dwellings - current value, determined using the basis of Existing Use Value for Social Housing (EUV-SH).
- Land and buildings – current value, determined as the amount that would be paid for the asset in its existing use (existing use value EUV).
- Vehicles, Plant and Equipment – depreciated historical cost.
- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective.

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.

Council Dwellings and land and buildings were valued in accordance with the Royal Institute of Chartered Surveyors (RICS) http://www.rics.org/uk/ Statement of Asset Valuation Practice and Guidance Notes (Red Book) as supplemented by the Manual of Valuation (White Book) by the Council's valuer who is RICS qualified.

Assets included in the Balance Sheet at current value are revalued regularly, and as a minimum every five years, to ensure that their carrying amount is not materially different from their fair value at the year-end. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

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

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

The de minimis level for land and buildings is £10,000 and vehicles, plant and equipment £5,000.

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

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

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

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

Depreciation: Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their estimated useful lives. An exception is made for assets without a determinable finite useful life (ie freehold land and certain community assets) and assets that are not yet available for use (ie assets under construction).

Depreciation is charged to the services that receive the benefit of the assets during the year. It is reversed out of the Comprehensive Income and Expenditure Statement via the Movement in Reserves Statement.

Depreciation is calculated on the following bases:

- Council Dwellings – componentised basis for dwelling stock valued on replacement cost of each component.
- Buildings (General Fund and HRA non dwelling) – straight-line allocation over the useful life of the property as estimated by the valuer.

- Vehicles, Plant and Equipment – straight-line allocation over the useful life of the asset.
- Infrastructure – straight-line allocation over the useful life of the asset.
- Surplus Assets – straight-line allocation over the useful life of the asset as estimated by the valuer.

Depreciation on HRA assets – depreciation is charged in accordance with proper practices to the HRA. The Code requires an amount equal to the total depreciation charge for all HRA assets to be transferred to the Major Repairs Reserve (MRR) to establish resources available for capital spend on HRA assets. This is transacted through the Movement in Reserves Statement to remove the impact on the HRA.

The estimated useful lives for depreciation purposes are reviewed on revaluation and when assets are coming to the end of their current useful life. Estimated useful lives are updated, if appropriate, and the new estimated useful life used to calculate the depreciation charge for the year by dividing the carrying value of the asset over the new estimated useful life. Where useful lives have been changed in 2019/2020, the effect on the depreciation charge for the year is immaterial.

Where an item of Property, Plant and Equipment asset has major components with a significant cost in relation to the total cost of the item, the components are depreciated separately.

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

Newly acquired/enhanced assets receive a full depreciation charge in their first year, regardless of the precise timing of the expenditure. Assets disposed of receive no depreciation charge in the year of disposal.

Following a revaluation, a full year of depreciation is charged in the year of revaluation on the new valuation.

Disposals and Non-Current Assets Held for Sale: When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and is then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of capital receipts relating to housing disposals is payable to the Government. The balance of receipts remains within the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Capital Receipts Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

1.18 Provisions, Contingent Liabilities and Contingent Assets

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

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

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

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

The Council has a provision for losses on backdated Business Rate appeals that would be unavoidable costs if the District Valuer upheld appeals.

Waverley sets an amount aside from revenue to meet potential bad debts but this does not meet the definition of a provision.

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

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

Contingent Assets: A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

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

1.19 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring 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 against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back to 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 and retirement benefits - they do not represent usable resources for the Council. These reserves are detailed in the notes to the financial statements on page 61.

1.20 Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

1.21 Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties 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
- in the absence of a principal market, in the most advantageous market for the asset.

The Council measures the fair value of an asset using the assumptions that market participants would use when pricing the asset assuming that market participants act in their economic best interest.

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

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

Level 1 - quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date

Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly

Level 3 - unobservable inputs for the asset.

1.22 Group Accounts

Nature of Interest: The Group Accounts consolidate the accounts of the Shottermill Recreation Ground Trust and the Ewart Bequest in the form of a subsidiary relationship as the Council is the sole trustee of both and has the ability to direct the operating and financial policies (within Trust objectives) with a view to gaining service potential from the activities undertaken by the Trusts.

Shottermill Recreation Ground Trust (Haslemere Leisure Centre) is an important part of the Council's Leisure provision. In 2008 the Council entered into a 15 year management contract for the operation of this centre.

The Ewart Bequest owns land at Farnham on which are built small dwellings suitable for elderly people of limited financial resources. It is an important part of the Council's housing service.

Basis of Consolidation: The Group Accounts have been prepared on the basis of a full consolidation of the financial transactions and balances of the Council, the Shottermill Recreation Ground Trust and the Ewart Bequest, each having a year-end of 31 March 2020.

The assets of the trust are revalued in line with the accounting policies at 1.17.

Degree of Commitment: The Council performs a role of stewardship over the charitable trusts included in the Group Accounts. As such it has a degree of commitment to meet any accumulated deficits or losses. However, the risks associated with this commitment are not considered material.

Trust Accounts: The annual report and accounts for the Trusts are prepared in accordance with The Charities Act 2015, and applicable regulations. The Statement of Financial Activities and Balance Sheets for the Trust Accounts for the year ended 31 March 2020 are included on pages 92 to 95 for information.

The full charity accounts are subject to audit/review according to audit thresholds. For the 2019/2020 accounts both the Shottermill Recreation Ground Trust and the Ewart Bequest are subject to independent review. The accounts can be obtained from the Charity Commission website:
http://apps.charitycommission.gov.uk/showcharity/registerofcharities/RegisterHomePage.aspx or Waverley Borough Council.

2. Accounting Standards that have been issued but have not yet been adopted

The Council is required to disclose information relating to the impact of an accounting change required by a new standard that has been issued, but not yet adopted, in the 2019/2020 financial statements.

For the 2019/2020 accounts the accounting changes to disclose are in relation to:

- IFRS16 Leases – the recognition of 'right of use' assets on the Balance Sheet for lessees. The CIPFA/LASAAC Local Authority Accounting Code Board (CIPFA/LASAAC) has agreed to defer the implementation of IFRS 16 Leases for one year in-line with the government's Financial Reporting Advisory Board's proposals for central government departments. This will mean the effective date for implementation is 1 April 2021.

- IAS19 Employee Benefits - relating to plan amendment, curtailment or settlement. This amendment has been adopted in the 2020/21 Code and will therefore be applicable for the 2020/21 financial year reporting.

- Amendments to IAS28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures

- Annual Improvements to IFRS Standards 2015-2017 Cycle

- IAS1/IAS 8 Changes on the definition of Materiality

These accounting changes are not anticipated to have a material impact on the financial statements of the Council.

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. Although many minor judgements have been made in the process of creating these accounts (eg whether a lease is a finance or operating lease based on the indicators detailed in the Code) the only critical judgements made in the Statement of Accounts are as follows:

1. Funding Levels

There is a high degree of uncertainty about future levels of government funding for local government. The Fair Funding Review due in 2020 was delayed due to the Covid-19 pandemic and the Council is yet to receive an indication of the potential impact on its finances as a result of the review. Therefore, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to reduce spend and levels of service provision.

2. Group Accounts

The Statement of Accounts is prepared on a Group Accounts basis incorporating the accounts of the two Trusts (see Accounting Policies on page 37). Management has determined the relationship is in the form of a subsidiary due to the control of the trusts by the Council as sole trustee. The judgements made in relation to the Trusts follow the Accounting Policies as set out in Note 1. unless the Charities Commission Statement of Recommended Practice determines otherwise.

3. Covid-19

The Statement of Accounts for 2019/2020 did not see a material financial impact as a result of the Covid-19 pandemic. However, there is a very high degree of uncertainty about the impact of Covid-19 on the Council's finances and on the economic environment following the Balance Sheet date. Due to this uncertainty at the balance sheet date the Council has continued to apply accounting policies (see Note 1.) and disclosed the estimation uncertainty regarding valuations. This is covered in more detail in the Narrative Report and note 4. below.

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

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

The items in the Council’s Balance Sheet at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Pensions

Estimation of the net pensions liability depends on complex judgements relating to the discount rate used, projected salary increases, changes in retirement ages, and mortality rates. A firm of actuaries is engaged to provide the Council with expert advice as to the assumptions to be applied. A Sensitivity Analysis showing the effects of changes in individual assumptions is shown in Note 36 Defined Benefit Pension Schemes on page 78.

Waverley employee pensions are administered by the Surrey Pension Fund, which is part of the national Local Government Pension Scheme (LGPS). Surrey Pension Fund is independently audited by Grant Thornton. The Surrey Pension Fund draws on the expertise of actuaries and valuers to estimate the value of the Pension Fund in line with professional guidance.

The Covid-19 pandemic created a period of significant uncertainty in relation to many factors that would be used to measure the value of assets and liabilities in relation to the Pension Fund.

There is material uncertainty with regard to some of asset valuations in the Surrey Pension Fund accounts, in particular the pooled property and private equity investments. Waverley pension transactions form a part of the total Pension Fund, therefore, this uncertainty feeds into assets and liabilities recorded for Waverley.

Impairment Allowance

The Council has an impairment allowance for estimated non recovery of its financial assets (bad debts) where the counterparty is not central government or a local authority. The allowance is assessed each year and an appropriate allowance made. The allowance is by its nature an estimate, usually based on previous experience.

The unknown economic impact of the Covid-19 pandemic has made the estimation of impairment allowances difficult as there is uncertainty about the economic viability of counterparties and their ability to settle their debts.

Asset Valuations, Impairments and Fair Value Measurements

Asset valuation (including Fair Value measurement) and impairment is based on an estimate and the Council draws on the expertise of its Valuer to calculate valuations, useful lives and impairment reviews in accordance with professional guidance. When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (ie Level 1 inputs), their fair value is measured using valuation techniques. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible professional judgement is required. These judgements typically include considerations such as uncertainty and risk. However, changes in assumptions used could affect the fair value of the authority's assets and liabilities.

Impact of Covid-19

Asset valuations have been undertaken in accordance with the RICS Red Book, which highlights matters that may give rise to material valuation uncertainty. The Covid-19 pandemic created a period of significant uncertainty in relation to many factors that historically have acted as drivers of the property investment and letting markets, with major adverse impacts affecting global stock markets, future economic growth forecasts, and business and consumer confidence. Such circumstances are unprecedented but are expected to result in similar uncertainty in much of the property market, and may impact values in the months following the Balance Sheet date. At the Balance Sheet date there was little or no empirical evidence available on the impact of Covid-19 on property market activity or values, resulting in a reduced level of certainty that could be attached to valuations.

EU Withdrawal

The financial impact of the United Kingdom's withdrawal from the European Union is as yet uncertain. It could impact on interest and inflation rates, property and rental values, procurement and labour costs as well as the business economy. The assumption has been made that it will not significantly impair the value of the Council’s assets, however, the assumptions will need to be reviewed regularly. No adjustments have been made for the identified uncertainties.

5. Events after the Reporting Period

The Statement of Accounts was authorised for issue on 17 July 2020 by Mr Graeme Clark, Strategic Director for Waverley Borough Council.

Events taking place after this date are not reflected in the financial statements or notes. When events taking place before this date provided information about conditions existing at 31 March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There is a high degree of uncertainty about the impact of Covid-19 on the Council’s finances following the 31 March 2020. A report to the Executive in May 2020 summarises how the Council has responded to the Covid-19 crisis and the Council considered and approved a contingency revised budget for 2020/2021 to mitigate the projected budget deficit based on best estimates.

There are no other significant material events which took place after 31 March 2020 which (although not relating to conditions at that date) provided information that is relevant to an understanding of the Council's financial position at that date.

6. Expenditure and Funding Analysis

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

2018/2019				2019/2020		
Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**
			General Fund			
3,247	(454)	3,701	Policy and Governance	3,620	(552)	4,172
2,342	(637)	2,979	Planning and Economic Developme	2,643	(761)	3,404
700	33	667	Business Transformation	(71)	(1,147)	1,076
2,076	124	1,952	Finance and Property	2,514	685	1,829
3,553	(4,626)	8,179	Commercial Services	3,135	(1,717)	4,852
1,275	(1,235)	2,510	Environmental Services	1,726	(433)	2,159
776	(137)	913	Housing Delivery and Communities	736	(163)	899
(14,879)	(11,705)	(3,174)	**Housing Revenue Account**(p80)	(15,325)	(6,519)	(8,806)
(910)	**(18,637)**	**17,727**	**Net Cost of Services**	**(1,022)**	**(10,607)**	**9,585**
(5,200)	7,616	**(12,816)**	Other Income and Expenditure	(1,741)	10,938	**(12,679)**
(6,110)	**(11,021)**	**4,911**	**(Surplus) or Deficit** (p13)	**(2,763)**	**331**	**(3,094)**
			Opening Balances as at 1 April 2019			
(11,427)			General Fund	(13,437)		
(26,428)			Housing Revenue Account	(30,528)		
(37,855)			**Total Usable Reserves**	**(43,965)**		
			Surplus or Deficit in year			
			See MiRS (p14) Net (Increase)/ Decrease before Transfers to Earmarked Reserves:			
(2,010)			General Fund	(1,291)		
(4,100)			Housing Revenue Account	(1,472)		
(6,110)				(2,763)		
			Closing Balances as at 31 March 2020			
(13,437)			General Fund	(14,728)		
(30,528)			Housing Revenue Account	(32,000)		
(43,965)			**Total Usable Reserves**	**(46,728)**		

For notes on the Expenditure and Funding Analysis see notes 6A to 7

6A. Note to the Expenditure and Funding Analysis

Adjustments from the General Fund and HRA to arrive at the Comprehensive Income and Expenditure Statement amounts	2019/2020			
	Adjustments for Capital Purposes Note 1 £'000	Net Charge for the Pension Adjustments Note 2 £'000	Other Differences Note 3 £'000	Total Adjustments £'000
General Fund				
Policy and Governance	(4)	(548)	0	**(552)**
Planning and Economic Development	(7)	(754)	0	**(761)**
Business Transformation	(1,062)	(85)	0	**(1,147)**
Finance and Property	(25)	710	0	**685**
Commercial Services	(1,309)	(408)	0	**(1,717)**
Environmental Services	(26)	(407)	0	**(433)**
Housing Delivery and Communities	(1)	(162)	0	**(163)**
Housing Revenue Account	(6,311)	(208)	0	**(6,519)**
Net Cost of Services	**(8,745)**	**(1,862)**	**0**	**(10,607)**
Other income and expenditure from the Expenditure and Funding Analysis	12,671	(1,643)	(90)	**10,938**
Difference between Surplus or Deficit and Comprehensive Income & Expenditure Statement (Surplus) or Deficit on the Provision of Services	**3,926**	**(3,505)**	**(90)**	**331**

Adjustments from the General Fund and HRA to arrive at the Comprehensive Income and Expenditure Statement amounts	2018/2019			
	Adjustments for Capital Purposes Note 1 £'000	Net Charge for the Pension Adjustments Note 2 £'000	Other Differences Note 3 £'000	Total Adjustments £'000
General Fund				
Policy and Governance	0	(454)	0	**(454)**
Planning and Economic Development	(7)	(630)	0	**(637)**
Business Transformation	87	(54)	0	**33**
Finance and Property	(21)	145	0	**124**
Commercial Services	(4,323)	(303)	0	**(4,626)**
Environmental Services	(912)	(323)	0	**(1,235)**
Housing Delivery and Communities	0	(137)	0	**(137)**
Housing Revenue Account	(11,627)	(78)	0	**(11,705)**
Net Cost of Services	**(16,803)**	**(1,834)**	**0**	**(18,637)**
Other income and expenditure from the Expenditure and Funding Analysis	7,895	(1,539)	1,260	**7,616**
Difference between Surplus or Deficit and Comprehensive Income & Expenditure Statement (Surplus) or Deficit on the Provision of Services	**(8,908)**	**(3,373)**	**1,260**	**(11,021)**

Note 1 - Adjustments for Capital Purposes

This column adds in depreciation and impairment and revaluation gains and losses in the service line, and for:

- **Other Operating Expenditure** - adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

- **Financing and investment income and expenditure** - the statutory charges for capital financing, ie Minimum Revenue Provision and other revenue contributions, are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

- **Taxation and non-specific grant income and expenditure** - capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the 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 Charge for the Pension Adjustments

Net change for the removal of pension contributions and the addition of IAS19 Employee Benefits pension related income and expenditure:

- For **services** this represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs.

- For **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 Statutory Adjustments

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For **Financing and investment income and expenditure** the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

- The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for Council Tax and Business Rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

6B. Segmental Income (Single Entity)

This note analyses the **material** revenue income received from external customers on a segmental basis:

2018/2019 £'000		2019/2020 £'000
	Income from Services	
(5,396)	Environment	(5,475)
(28,441)	Housing Revenue Account	(28,095)
(33,837)	**Total**	**(33,570)**

7. Expenditure and Income analysed by nature (Single Entity)

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

2018/2019 £'000	Expenditure/Income	2019/2020 £'000
	Expenditure	
22,377	Employee costs	23,413
55,131	Other service expenses	50,221
(750)	Support Service recharges *	(1,190)
21,136	Depreciation, amortisation, impairment and revaluation losses	11,330
5,597	Interest payments	5,538
3,129	Precepts and levies	3,267
759	Payment to Housing Capital Receipts Pool	888
615	Impairment Losses (Financial Assets)	193
107,994	**Total Expenditure**	**93,660**
	Income	
(50,356)	Fees, charges and other service income	(48,227)
(2,172)	Interest and Investment Income	(2,280)
(12,810)	Council Tax income	(13,216)
(29,217)	Government Grants and Contributions	(25,419)
(3,866)	Business Rates distribution	(2,221)
(1,704)	Capital grants and contributions	(2,855)
(2,572)	(Gain)/Loss on disposal of non-current assets	(3,328)
(386)	Gain on fair value of Investment Properties	792
(103,083)	**Total Income**	**(96,754)**
4,911	**(Surplus) or Deficit on the Provision of Services**	**(3,094)**

* The credit reflects the staff recharges to areas outside of the Net Cost of Services in the Comprehensive Income and Expenditure Statement such as capital schemes.

8. Adjustments between accounting basis and funding basis under regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year, in accordance with proper accounting practice, to the resources that are specified by statutory provisions as being available to the Council 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 the non Housing Revenue Account receipts of the Council are required to be paid and out of which all liabilities of the Council 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. The balance is not available to be applied to fund Housing Revenue Account services.

Housing Revenue Account (HRA) Balance

The 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.

Major Repairs Reserve

The Council is required to maintain the HRA 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 resources that have yet to be applied at the year-end.

Capital Receipts Reserve

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

Capital Grants Unapplied Account

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

The statements on the following pages detail these adjustments.

Adjustments between accounting basis and funding basis under regulations

2019/2020	Usable Reserves					
	General Fund Balance £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	**Total Adjustments** £'000
Adjustments to the Revenue Resources						
Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:						
Pensions costs (transferred to or from the Pensions Reserve) (see note 36)	(2,911)	(594)				(3,505)
Council Tax and NNDR (transfers to or from Collection Fund Adjustment Account)	(90)					(90)
Reversal of entries included in the (Surplus) or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):						
Reversal of entries included in the (Surplus) or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):	(2,421)	(5,229)	(5,838)			(13,488)
Total Adjustments to Revenue Resources	**(5,422)**	**(5,823)**	**(5,838)**	**0**	**0**	**(17,083)**
Adjustments between Revenue and Capital Resources						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	1,477	3,211		(4,688)		0
Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital Receipts Pool	(888)			888		0
Statutory provision for the repayment of debt	117		4,223			4,340
Capital expenditure charged against the General Fund and HRA balances	0	3,036				3,036
Other movements						0
Total Adjustments between Revenue and Capital Resources	**706**	**6,247**	**4,223**	**(3,800)**	**0**	**7,376**
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance new capital expenditure				5,287		5,287
Use of the Major Repairs Reserve to finance new capital expenditure			3,395			3,395
Capital grants and contributions unapplied credited to the CIES	2,843	0			(2,843)	0
Total Adjustments to Capital Resources	**2,843**	**0**	**3,395**	**5,287**	**(2,843)**	**8,682**
Total Adjustments	**(1,873)**	**424**	**1,780**	**1,487**	**(2,843)**	**(1,025)**

CIES - Comprehensive Income and Expenditure Statement

Adjustments between accounting basis and funding basis under regulations						
2018/2019 Comparative figures	**Usable Reserves**					
	General Fund Balance £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	**Total Adjustments** £'000
Adjustments to the Revenue Resources						
Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:						
Pensions costs (transferred to or from the Pensions Reserve) (see note 36)	(2,926)	(447)				(3,373)
Council Tax and NNDR (transfers to or from Collection Fund Adjustment Account)	1,260					1,260
Reversal of entries included in the (Surplus) or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):						
Reversal of entries included in the (Surplus) or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):	(4,828)	(10,201)	(6,538)			(21,567)
Total Adjustments to Revenue Resources	**(6,494)**	**(10,648)**	**(6,538)**	**0**	**0**	**(23,680)**
Adjustments between Revenue and Capital Resources						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	847	3,331		(4,178)		0
Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital Receipts Pool	(759)			759		0
Statutory provision for the repayment of debt	100		3,708			3,808
Capital expenditure charged against the General Fund and HRA balances	180	390				570
Other movements				(29)		(29)
Total Adjustments between Revenue and Capital Resources	**368**	**3,721**	**3,708**	**(3,448)**	**0**	**4,349**
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance new capital expenditure				1,521		1,521
Use of the Major Repairs Reserve to finance new capital expenditure			3,947			3,947
Capital grants and contributions unapplied credited to the CIES	861	54			(915)	0
Total Adjustments to Capital Resources	**861**	**54**	**3,947**	**1,521**	**(915)**	**5,468**
Total Adjustments	**(5,265)**	**(6,873)**	**1,117**	**(1,927)**	**(915)**	**(13,863)**

CIES - Comprehensive Income and Expenditure Statement

9. Transfers to / from Earmarked and Other Specific Reserves

This sets out the amounts set aside from the General Fund and HRA balances in earmarked and other specific reserves to provide financing for future expenditure plans for the General Fund and HRA expenditure.

1 April 2019 Balance £'000	Reserve	Net Movement in year £'000	31 March 2020 Balance £'000	Purpose of Reserve
	General Fund			
(23)	Revenue Reserve Fund (RRF)	(313)	(336)	The RRF is a General Fund Reserve used for financing capital expenditure and supporting revenue.
(3,476)	Business Rates Retention Equalisation Reserve	(374)	(3,850)	To provide for the exposure to fluctuations in rateable values and deficit timing differences
(6,244)	Other Earmarked Reserves	(773)	(7,017)	Other reserves and funds
(9,743)	**Total**	**(1,460)**	**(11,203)**	

	Housing Revenue Account			
(13,518)	New Affordable Housing Reserve	(1,219)	(14,737)	Reserves created from surplus generated as a result of HRA self-financing
(6,289)	Dwelling Stock Improvement Reserve	1,158	(5,131)	
0	Major Repairs Reserve	(2,100)	(2,100)	Set aside for additional programme of work to dwellings
(3,224)	Other	136	(3,088)	Other reserves and funds
(23,031)	**Total**	**(2,025)**	**(25,056)**	

10. Non-ringfenced Government Grants

The general Government Grants in the Comprehensive Income and Expenditure Statement comprise:

2018/2019 £'000		2019/2020 £'000
(1,231)	New Homes Bonus	(1,164)
(91)	Other Revenue Grants	(298)
(1,322)		**(1,462)**

New Homes Bonus - is based on an average national council tax amount and is paid to the Council according to the total net increase in homes in the Borough between each September and the total number of empty homes being brought back into use.

Other Revenue Grants - these are other non-ringfenced grants and contributions received that are not attributed to a specific service. Any unspent element of the grant at the end of the year has been transferred to an earmarked Revenue Grant Reserve.

11. Group Property, Plant and Equipment (PPE)

Movements in 2019/2020

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Infra-structure £'000	Community Assets £'000	Assets under Construction £'000	Total PPE £'000
Cost or Valuation							
At 1 April 2019	422,418	92,001	7,580	1,419	218	365	524,001
Additions/enhancement	6,193	108	88	40		5,162	11,591
Donations			13				13
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	6,126	758	(197)				6,687
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(3,853)	(1,228)		(37)			(5,118)
Derecognition Disposals	(1,360)						(1,360)
Other Reclassifications	292					(292)	0
At 31 March 2020	429,816	91,639	7,484	1,422	218	5,235	535,814
Depreciation and Impairments							
At 1 April 2019	0	(2,351)	(4,637)	(846)	0	0	(7,834)
Charge for 2019/2020	(5,501)	(1,291)	(418)	(40)			(7,250)
Depreciation written out to the Revaluation Reserve	5,501	902	156				6,559
Depreciation written out to the Surplus/Deficit on the Provision of Services		1,469		35			1,504
At 31 March 2020	0	(1,271)	(4,899)	(851)	0	0	(7,021)
Balance Sheet amount at 31 March 2020	**429,816**	**90,368**	**2,585**	**571**	**218**	**5,235**	**528,793**

Movements in 2018/2019

	Council Dwellings (Restated) £'000	Other Land and Buildings (Restated) £'000	Vehicles, Plant and Equipment (Restated) £'000	Infra-structure £'000	Community Assets (Restated) £'000	Assets under Construction (Restated) £'000	Total PPE £'000
Cost or Valuation							
At 1 April 2018	419,893	88,194	7,785	1,371	364	10,923	528,530
Additions/enhancement	4,284	689	209	48		2,444	7,674
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(1,440)	5,871	(42)		(137)		4,252
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(9,080)	(5,319)	(372)		(9)		(14,780)
Derecognition Disposals	(1,320)	(70)					(1,390)
Derecognition Other						(11)	(11)
Reclassified to/from Held for Sale		(274)					(274)
Other Reclassifications	10,081	2,910				(12,991)	0
At 31 March 2019	422,418	92,001	7,580	1,419	218	365	524,001
Depreciation and Impairments							
At 1 April 2018	0	(2,560)	(4,546)	(804)	0	0	(7,910)
Charge for 2018/2019	(6,204)	(941)	(420)	(42)			(7,607)
Depreciation written out to the Revaluation Reserve	6,204	311	29				6,544
Depreciation written out to the Surplus/Deficit on the Provision of Services		835	300				1,135
Derecognition Disposals		4					4
At 31 March 2019	0	(2,351)	(4,637)	(846)	0	0	(7,834)
Balance Sheet amount at 31 March 2019	**422,418**	**89,650**	**2,943**	**573**	**218**	**365**	**516,167**

Prior Period Restatement

The 2018/2019 note has been restated to reflect the decrease in asset values being treated as Revaluation Losses rather than Impairment Losses. The change is in presentation only.

The amounts restated under each class:	(9,261)	(6,918)	(414)		(9)	(11)

The reason for the restatement is to reflect the carrying amount of the assets being greater than the Current Value at 31 March as determined by the Valuer therefore indicating Revaluation Loss over Impairment Loss.

12. Revaluation Losses

Note 11, which reconciles the movement over the year in Property, Plant and Equipment, includes a number of downward movements in asset value following revaluation. The significant losses in value are described below:

Land and Buildings - the revaluation losses incurred in 2019/2020 relate mainly to Farnham Sports Centre.

	2019/2020
	£'000
Farnham Sports Centre	(816)

13. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below together with the resources used for its financing. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement, a measure of the capital expenditure incurred historically that is yet to be financed.

	2018/2019 £'000	2019/2020 £'000
Opening Capital Financing Requirement	**194,221**	**191,285**
Capital Investment		
Property, Plant and Equipment (1)	7,612	11,588
Intangible Assets	72	111
Revenue Expenditure Funded from Capital under Statute (2)	656	909
Long Term Investments	15	0
Total Capital Expenditure	**8,355**	**12,608**
Sources of finance		
Grants and Other Contributions (3)	(1,445)	(890)
Major Repairs Reserve	(3,947)	(3,395)
Capital Receipts	(1,521)	(5,287)
Revenue	(570)	(3,036)
Repayment of Loans Fund Advances	(3,708)	(4,223)
Minimum Revenue Provision	(100)	(117)
Total Capital Financing	**(11,291)**	**(16,948)**
Closing Capital Financing Requirement	**191,285**	**186,945**
Movement		
Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	**(2,936)**	**(4,340)**

1. This figure is the single entity additions in note 11 Property, Plant and Equipment assets.
2. Revenue Expenditure Funded from Capital under Statute is treated as capital for control purposes. However, it forms part of the (surplus) or deficit on the Comprehensive Income and Expenditure Statement.
3. Includes grants and contributions towards the Council's assets and non-Council owned assets.

14. Commitments under Capital Contracts

As at 31 March 2020, the major capital contracts entered into were as follows:

Contract	Purpose	Approximate value of remaining contractual commitment	Period of Investment
		£'000	
Housing Revenue Account			
	New Council Dwellings in Godalming	2,148	To 2020/21

15. Revaluation Information

Valuation of property assets carried at fair value

The Council carries out a rolling programme of revaluations ensuring that all property assets are revalued at least every five years. All valuations were carried out internally by the Council's Estates and Valuation team who are members of the Royal Institute of Chartered Surveyors. The following statement shows when the assets were most recently valued.

The basis for valuation is set out in the Statement of Accounting Policies at page 32.

Carrying Value at 31 March 2020	Council Dwellings £'000	Other Land and Buildings £'000	Trust Assets £'000	Total £'000
Valued at fair value in:				
2019/2020	429,816	23,991	11,836	465,643
2018/2019		28,442		28,442
2017/2018		8,381		8,381
2016/2017		15,094		15,094
2015/2016		2,624		2,624
Total	429,816	78,532	11,836	520,184

16. Investment Property

The Council's investment property portfolio comprises mainly industrial units together with miscellaneous properties including shops.

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

2018/2019 £'000		2019/2020 £'000
(1,504)	Rental Income	(1,375)
377	Direct Operating Expenses	362
(386)	Net (gains) or losses from fair value adjustments	792
(1,513)	**Net (gain)/loss**	**(221)**

The Council's ability to realise the value of its investment property has, in some circumstances, been restricted by the existence of long leases. However, there are no restrictions 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.

Movement on Investment Property

Investment Properties are valued in accordance with the Accounting Policies 1.14 on page 29. There has been no change in the valuation techniques used during the year.

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

2018/2019 £'000		2019/2020 £'000
26,116	**Balance at start of the year**	26,502
386	Net gains or (losses) from fair value adjustments	(792)
0	Transfers (to)/from Property, Plant and Equipment	274
26,502	**Balance at end of the year**	**25,984**

17. Financial Instruments Balances

Financial Assets

A Financial Asset is a right to future economic benefits controlled by the Council that are represented by cash or other instruments or a contractual right to receive cash or another financial asset.

Financial Liabilities

A Financial Liability is an obligation to transfer economic benefits controlled by the Council that is represented by a contractual obligation to deliver cash or other financial assets to another entity or an obligation to exchange financial assets and liabilities with another entity under conditions that are potentially unfavourable to the Council.

The Balance Sheet shows the following categories of Financial Instrument:

31 March 2019 Balance			31 March 2020 Balance	
Long-Term £'000	Current £'000		Long-Term £'000	Current £'000
		Financial Assets at amortised cost		
9,116	47,017	Investments	17,180	46,162
0	3,202	Trade Receivables (Debtors note 21)	0	4,024
0	9,924	Cash and Cash Equivalents	0	13,173
9,116	60,143	**Total Financial Assets**	17,180	63,359
0	5,760	Debtors that are not financial instruments	0	5,716
0	283	Other non financial instruments	0	9
9,116	66,186	**Total**	17,180	69,084
		Financial Liabilities at amortised cost		
(175,617)	(4,296)	Borrowings	(171,314)	(4,375)
0	(6,859)	Trade Payables (Creditors note 23)	0	(10,815)
(175,617)	(11,155)	**Total Financial Liabilities**	(171,314)	(15,190)
0	(4,525)	Creditors that are not financial instruments	0	(6,829)
0	(1,177)	Provisions that are not financial instruments	0	(1,507)
(175,617)	(16,857)	**Total**	(171,314)	(23,526)

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

18. Financial Instruments Income, Expense, Gains and Losses

Gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to Financial Instruments are made up as follows:

2018/2019 £'000	Surplus or deficit on the provision of services (Single entity)	2019/2020 £'000
Restated	Interest revenue	
(668)	Financial assets measured at amortised cost	(905)
5,597	Interest expense *	5,538
4,929	**Net (gain)/loss for the year**	**4,633**

* The majority of interest paid was to the Public Works Loan Board (PWLB). 2018/2019 figure restated to reflect single entity expense only.

19. Fair Value of Financial Assets and Liabilities

The Council's financial assets and financial liabilities are carried in the Balance Sheet at amortised cost. However, the Council is required to disclose the fair value of each class of financial asset and financial liability for comparison.

The fair value of Financial Assets and Financial Liabilities that are not measured at fair value

The only Financial Instrument where the Fair Value differs materially from the Balance Sheet carrying amount is the loan portfolio from the PWLB. The fair value of the loan portfolio was provided by Link Asset Services, an external independent consultancy service, it was assessed by:

i) calculating the amounts the Council would have had to pay (including penalty charges) for early repayment of these loans on the relevant dates (Premature Repayment Rate) and

ii) comparing the terms of the Council's loans with PWLB new borrowing rates (New Loan Rate).

The final maturity date of this debt is scheduled to be 3 September 2040. This is a Level 2 valuation - "other significant observable inputs" (see accounting policy 1.21 on page 36).

31 March 2019 Balance			31 March 2020 Balance	
Carrying amount £'000	**Fair value £'000**		**Carrying amount £'000**	**Fair value £'000**
		Financial Liabilities		
179,913		PWLB Borrowing	175,689	
	217,677	(i) Premature Repayment Rate basis		223,553
	200,457	(ii) New Loan Rate basis		190,727

In particular, relating to the (i) Premature Repayment Rate assessment, the Fair Value of the PWLB financial liability (Borrowings) is higher than the carrying amount because, should the Council wish to repay the loans early, the interest payable on the fixed rate PWLB loans is higher than the prevailing rates offered by the PWLB. This shows a notional future loss (based on economic conditions at 31 March 2020) arising from a commitment to pay interest above current market rates.

The Fair Value of Trade payables and Trade receivables is taken to be the invoice amount.

The Council's investment portfolio at the Balance Sheet date consisted entirely of call account deposits and fixed term deposits with Banks, Building Societies and Local Authorities. The maturity dates of all investments except four long term investments were within 12 months of the Balance Sheet date. Of the four long term investments three mature after April 2021 and one in 2022. None of the investments were impaired (ie considered at risk of default). The carrying amount is assumed to approximate to fair value.

20. Nature and Extent of Risks arising from Financial Instruments

The Council has adopted CIPFA's Code of Practice on Treasury Management (and subsequent amendments) and complies with The Prudential Code for Capital Finance in Local Authorities.

Investments were made in compliance with the Council's Treasury Management Strategy Statement 2019/2020 which is based on CIPFA's latest Code of Practice on Treasury Management. Risk is mitigated through the Annual Investment Strategy (contained in the Treasury Management Policy) in compliance with the Ministry of Housing, Communities and Local Government's Investment Guidance for Local Authorities. The guidance emphasises that priority is to be given to security, liquidity and yield in that order.

The Council's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management, in relation to treasury management, is carried out by Senior Accountants in consultation with the Section 151 Officer under policies approved by the Council in the Treasury Management Policy.

The Council's Annual Investment Strategy (AIS) for 2019/2020, which reviews the arrangements and approved limits for the operation of the Council's Treasury Management Policy, can be found on the Council's website www.waverley.gov.uk (Council 19 March 2019 meeting).

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

credit risk - the possibility that other parties might fail to pay amounts due to the Council.

liquidity risk - the possibility that the Council might not have funds available to meet its commitments to make payments.

re-financing risk - the possibility that the Council might need to renew a financial instrument on maturity at disadvantageous interest rates or terms; and

market risk - the possibility that financial loss may arise for the Council as a result of changes in such measures as interest rates and stock market movements.

Credit Risk

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

The Council manages risk through its Treasury Management Framework, which includes the Treasury Management Practices, to minimise risk. The Treasury Management Framework is approved at a full Council meeting prior to the financial year over which it will cover.

All of the Council's £74 million external investments (including £11 million within Cash and Cash Equivalents) as at 31 March 2020 (£69 million total investments as at 31 March 2019) were either in UK banks, building societies or Local Authorities.

The average number of days to maturity as at 31 March 2020 was 251 (201 as at 31 March 2019). The average rate of investment return in 2019/2020 was 1.12% (0.92% in 2018/2019).

Expected Credit Loss

Deposits with County Councils or other Local Authorities are not subject to the requirement to make a loss allowance as statutory provisions prevent default.

Credit risk for the deposits with banks and building societies is deemed to be low. Waverley has never experienced losses from its investments with bank and building societies despite the financial environment over the past decade. Any risk is mitigated by application of Waverley's approved Treasury Management Practices which sets out Waverley's approach to risk and includes restrictions on counterparties involved, limits on amounts invested, restrictions on investment periods, types of instruments used, credit ratings etc.

The Council has no experience of default on its investments and does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The table below summarises the nominal value of the Council's investment portfolio as at 31 March 2020 and confirms that all investments were made in line with the Council's Treasury Management Policy.

Counterparty Fitch credit rating when Investment placed	**Credit Rating Criteria met when Investment placed**	**Credit Rating Criteria met on 31 March 2020**	**Balance Invested as at 31 March 2020**			**Total**
			Length of investment from date invested to maturity date			
			Instant access	up to 1 year	over 1 year	
			£'000	**£'000**	**£'000**	**£'000**
Not rated [1]	LA	LA		31,000	17,000	48,000
A+ stable	Y	Y	10,650	4,000		14,650
A+ negative	Y	Y		6,000		6,000
A stable	Y	Y		2,000		2,000
A negative	Y	Y		3,000		3,000
Totals			**10,650**	**46,000**	**17,000**	**73,650**

1. Waverley had 11 deposits with other Local Authorities as at 31 March 2020, four of which are for over one year in duration. Local Authorities are not generally rated individually but are considered equivalent to Government institutions and fall within the Annual Investment Strategy.

The comparative figures for the Council's investment portfolio as at 31 March 2019 are below:

Counterparty Fitch credit rating when Investment placed	**Credit Rating Criteria met when Investment placed**	**Credit Rating Criteria met on 31 March 2019**	**Balance Invested as at 31 March 2019**			**Total**
			Length of investment from date invested to maturity date			
			Instant access	up to 1 year	over 1 year	
			£'000	**£'000**	**£'000**	**£'000**
Not rated [2]	LA	LA		24,850	9,000	33,850
AA- stable	Y	Y	13,325			13,325
A+ stable	Y	Y				0
A stable	Y	Y		22,000		22,000
A- stable	Y	Y				0
Totals			**13,325**	**46,850**	**9,000**	**69,175**

2. Waverley had eight deposits with other Local Authorities as at 31 March 2019, two of which are for over one year in duration. Local Authorities are not generally rated individually but are considered equivalent to Government institutions and fall within the Annual Investment Strategy.

Trade Receivables

There are no material trade receivable debts which pose a credit risk to the Council at the Balance Sheet date which have not been covered by the impairment allowance (for bad debts).

The impairment allowances for trade receivables have been calculated using general past experience of default for the particular classes of debtor taking into account the age of outstanding debts and the economic climate at the balance sheet date (31 March 2020).

An invoice is generally 'past due' after it has been raised. The credit quality of the trade receivables, which are neither past due nor impaired, is considered good. Of the trade debtors that are not impaired, the amount that is past due for payment is considered fully recoverable and therefore risk is minimal on this amount.

Liquidity risk

The Council has a comprehensive cash-flow management process that seeks to ensure that cash is available as needed. If unexpected movements happen the Council has ready access to borrowings from the market and the PWLB and maintains a prudent amount invested on call at all times. There is no significant risk that it will be unable to raise finance to meet its commitments under Financial Instruments. In the event that the Council needs to raise additional finance to fund its capital plans, the Council would need to consider refinancing some of its long-term borrowing (PWLB loans repayable on maturity between 0.5 years and 21.5 years). The PWLB loans will be reviewed in the future as part of the Council's financial strategy.

All trade and other creditor payables are due to be paid in less than one year.
It is considered that the Council has no material exposure to liquidity risk.

The maturity profile of the nominal value of the Council's debt was as follows:

31 March 2019 £'000	% of total debt portfolio		Years	31 March 2020 £'000	% of total debt portfolio
4,223	2%	**Short Term Borrowing**	< 1 year	4,303	2%
25,846	14%	**Long Term Borrowing**	≥ 1 year ≤ 5 years	31,028	18%
52,772	30%		>5 years ≤ 10 years	55,914	32%
73,199	41%		>10 years ≤ 15 years	77,879	44%
20,562	11%		>15 years ≤ 20 years	3,255	2%
3,238	2%		>20 years ≤ 25 years	3,238	2%
179,840	**100%**	**Total Borrowing**		**175,617**	**100%**

Market risk - interest rate risk

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

- borrowings at fixed rates - the fair value of the liabilities borrowings will fall.
- investments at variable rates - the interest income credited to the (Surplus) or Deficit on the Provision of Services will rise (the Council's practice is to deal only in fixed rate investments).
- investments at fixed rates - the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the (Surplus) or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest receivable on variable rate investments would be posted to the (Surplus) or Deficit on the Provision of Services and affect the General Fund Balance.

The Council's practice is to deal only in fixed rate sterling and fixed term investments. The Council's investments were all held at fixed rates as at 31 March 2020 and are due to mature within one year except for four investments totalling £17 million of which three mature in 2021, and one in 2022.

The Council received £905,000 interest on its external investments in 2019/2020 at an average interest rate of 1.12%. If the average rate had been 0.25% less (ie 0.87%) the Council would have received approximately £202,000 less income; a 0.25% rise in interest rates would similarly have produced approximately £202,000 more income.

The fair value (premature repayment rate) of the Council's fixed rate PWLB borrowings (carrying value £175,689,000) was £223,553,000 at 31 March 2020. If the discount rates (based on prevailing premature repayment interest rates) had been 1% less, the fair value of the Council's loans would have been £243,432,000 (£19,879,000 higher, but with no impact on the (Surplus) or Deficit on the Provision of Services or other Comprehensive Income and Expenditure). If the discount rates had been 1% higher the fair value of the loans would be £205,788,000 (£17,765,000 less, but again with no impact on the Surplus or Deficit on the Provision of Services or other Comprehensive Income and Expenditure). There would be an early repayment penalty incurred by refinancing of £47,864,000.

Interest Rate profile of financial liabilities	**31/03/2019**	**31/03/2020**
Total £'000	(179,913)	(175,689)
Weighted average interest rate (%)	3.1	3.1
Weighted average period (years)	10.4	9.3

Market risk - price risk

The Council does not invest in equity shares and therefore is not subject to any price risk (ie the risk that the Council will suffer loss as a result of adverse movements in the price of financial instruments).

Market risk - foreign exchange risk

The Council has no financial assets or liabilities denominated in a foreign currency. It therefore has no exposure to loss arising as a result of adverse movements in exchange rates.

21. Short Term Debtors

31 March 2019 Balance £'000		31 March 2020 Balance Single Entity £'000	Group Activities £'000	Group Total £'000
	Debtors			
3,221	Trade Receivables	4,024	18	4,042
397	Prepayments	868	0	868
5,363	Other Receivable Amounts	4,848	0	4,848
8,981	**Total Debtors net of Impairment Allowance**	**9,740**	**18**	**9,758**
2,094	Impairment Allowance	2,796		2,796

22. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2019 Balance £'000		31 March 2020 Balance Single Entity £'000	Group Activities £'000	Group Total £'000
5	Cash held by the Council	8		8
(3,406)	Bank current accounts	2,515		2,515
13,325	Short-term investments	10,650		10,650
182	Shottermill Recreation Ground Trust		220	220
1,313	Ewart Bequest		1,374	1,374
11,419	**Total Cash and Cash Equivalents**	**13,173**	**1,594**	**14,767**

'Short-term investments' are those held on 'call' with a bank rather than invested in longer term Fixed Deposits.

23. Short Term Creditors

31 March 2019 Balance £'000		31 March 2020 Balance Single Entity £'000	Group Activities £'000	Group Total £'000
	Creditors			
(6,859)	Trade Payables	(10,815)		(10,815)
(4,535)	Other payables	(6,829)	(9)	(6,838)
(11,394)	**Total**	**(17,644)**	**(9)**	**(17,653)**

24. Usable Reserves

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

25. Unusable Reserves

The Council has a number of unusable reserves in the Balance Sheet. These are required to be held for statutory reasons and to comply with proper accounting practice.

31 March 2019 Balance £'000			31 March 2020 Balance £'000	
(79,861)	Revaluation Reserve	See page 62	(91,476)	Holds unrealised gains and losses on revaluation of assets
(263,102)	Capital Adjustment Account	See page 63	(266,025)	Store of capital assets set aside to represent past expenditure
67,987	Pension Reserve	See note 36 from page 72	66,232	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet
(142)	Collection Fund Adjustment Account		(52)	
(275,118)	**Total Unusable Reserves**		**(291,321)**	

Explanation of Movements on Unusable Reserves

Revaluation Reserve

The Revaluation Reserve contains 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:

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

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

The movement on the Revaluation Reserve is made up as follows:

2018/2019 Movement £'000			2019/2020 Movement £'000
(69,759)	**Balance at 1 April**		(79,861)
(15,373)	Upward Revaluations of assets	(12,495)	
4,596	Downward revaluation of assets and impairment losses not charged to the (Surplus)/Deficit on the Provision of Services	527	
(10,777)	(Surplus) or Deficit on revaluation of non-current assets not posted to the (Surplus) or Deficit on the Provision of Services		(11,968)
227	Difference between fair value depreciation and historical cost depreciation	225	
448	Accumulated gains on assets sold or scrapped	128	
675	Amount written off to the Capital Adjustment Account		353
(10,102)	**Net Movement in year**		(11,615)
(79,861)	**Balance at 31 March**		**(91,476)**

	Group (Surplus) or Deficit on revaluation of non-current assets not posted to the (Surplus) or Deficit on the Provision of Services (to CIES page 12)	
(10,777)	Single entity	(11,968)
	Shottermill Recreation Ground Trust	(1,869)
(21)	Ewart Bequest	4
(10,798)		(13,833)

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 additions to those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or subsequent costs 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 subsequent costs.

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.

The movement on the Capital Adjustment is made up as follows:

2018/2019 Movement £'000		2019/2020 Movement £'000
(274,177)	**Balance at 1 April**	(263,102)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement (see note 9):	
7,378	Depreciation of non-current assets	6,892
13,656	Revaluation losses & reversals on Property, Plant & Equipment	4,308
87	Amortisation of intangible assets	106
15	Impairment of intangible assets	24
0	Revenue expenditure funded from capital under statute	31
1,606	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,360
22,742		12,721
(675)	Adjusting amounts written out of the Revaluation Reserve	(353)
22,067	Net written out amount of the cost of non-current assets consumed in the year	12,368
	Capital financing applied in the year:	
(1,521)	Use of the Capital Receipts Reserve to finance new capital expenditure	(5,287)
(3,947)	Use of the Major Repairs Reserve to finance new capital expenditure	(3,395)
(789)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing Account	(12)
(3,808)	Repayment of borrowing	(4,340)
(570)	Capital expenditure charged against the General Fund and HRA balances	(3,036)
(10,635)		(16,070)
(386)	Movements in the fair value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	792
0	Donated Assets credited to the Comprehensive Income & Expenditure Statement	(13)
29	Other	
11,075	**Net Movement in year**	(2,923)
(263,102)	**Balance at 31 March**	**(266,025)**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed at the time the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

See Pensions note 36 for further detail

2018/2019 £'000		**2019/2020 £'000**
58,901	**Balance at 1 April**	67,987
5,713	Remeasurements of the net defined benefit liability/(asset)	(5,260)
6,931	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	7,156
(3,558)	Employer's pensions contributions and direct payments to pensioners payable in the year	(3,651)
9,086	**Net Movement in year**	(1,755)
67,987	**Balance at 31 March**	**66,232**

26. Cash-Flow Statement - Operating Activities

The Cash-Flow Statement has been prepared using the indirect method. This method derives the revenue cash flow by adjusting the Net (Surplus) or Deficit on the provision of services in the Comprehensive Income and Expenditure Statement to a cash basis.

Adjustments are made for non-cash items which include depreciation and impairments, accruals and the non-cash element of the pensions liability (as set out in the Accounting Policies).

The cash-flows for operating activities includes the following items (on a cash basis):

2018/2019 £'000		**2019/2020 £'000**
5,572	Interest paid	5,502
(536)	Interest received	(847)

The (Surplus) or Deficit on the Provision of Services has been adjusted for the following non-cash movements:

2018/2019 £'000		**2019/2020 £'000**
(7,378)	Depreciation	(6,892)
(13,656)	Impairment and downward valuations	(4,308)
(87)	Amortisations	(106)
(15)	Impairment/Revaluation losses on Intangible assets	(24)
(407)	(Increase)/Decrease in Impairment Allowance	(702)
(1,616)	(Increase)/Decrease in Creditors	(5,876)
2,117	Increase/(Decrease) in Debtors	1,919
1	Increase/(Decrease) in Inventories	0
(3,373)	Pensions liability	(3,505)
(1,606)	Carrying amount of non-current assets sold	(1,360)
1,013	Provisions	(330)
386	Movements in the value of Investment Properties	(792)
0	Donated Assets	13
(24,621)	**Total non-cash movements**	**(21,963)**

The (Surplus) or Deficit on the Provision of Services has been adjusted for the following items that are investing and financing activities:

2018/2019 £'000		**2019/2020 £'000**
668	Proceeds from Short-term Investments (cash interest on investments)	905
4,178	Proceeds from the sale of Property, Plant and Equipment	4,688
1,704	Grants received for financing of capital expenditure	2,855
6,550		**8,448**

27. Cash-Flow Statement - Investing Activities

2018/2019 £'000		2019/2020 £'000
7,913	Purchase of Property, Plant and Equipment and Intangible assets	11,316
87,650	Purchase of Short-term and Long-term Investments	75,000
(82,336)	Proceeds from Short-term Investments	(68,697)
(4,178)	Proceeds from the sale of Property, Plant and Equipment	(4,688)
(2,076)	Capital Grants and contributions received for the cost of purchasing Property, Plant and Equipment or Intangible assets	(3,545)
6,973	**Net cash-flows from Investing Activities**	**9,386**

28. Cash-Flow Statement - Financing Activities

2018/2019 £'000		2019/2020 £'000
3,708	Repayments of Short-term Borrowing	4,223
(222)	The difference between the preceptors' share of Council Tax cash collected and net cash paid to preceptors for their precept and settlement of the estimated (surplus)/deficit on the Collection Fund	(131)
(1,196)	The difference between Central Government and major preceptors' share of Business Rates income cash collected and net cash paid to Central Government and major preceptors	(118)
2,290	**Net cash-flows from Financing Activities**	**3,974**

29. Cash-Flow Statement - Major classes of gross cash receipts and payments

The gross cash receipts attributable to the Council and gross cash payments from operating activities are set out below:

2018/2019 £'000 (restated *)		2019/2020 £'000
	Gross cash receipts	
(12,822)	Council Tax collected in the year attributable to the Council	(13,321)
(11,571)	Business Rates income	(14,674)
(31,254)	Grants	(27,814)
(15,903)	Housing Rents	(17,169)
(20,383)	Sales of goods and services	(19,008)
(91,933)	Cash inflows from operating activities	**(91,986)**
	Gross cash payments	
9,909	Waverley Business Rates tariff to Central Government	14,171
13,801	Cash paid to and on behalf of employees	14,164
14,513	Housing Benefit paid out	13,219
3,129	Precepts paid	3,267
759	Payments to the capital receipts pool	759
26,149	Cash paid to suppliers of goods and services	19,493
5,572	Interest paid	5,502
4,941	Other payments for operating activities	4,802
78,773	Cash outflows generated from operating activities	**75,377**
(13,160)	**Net cash-flows from Operating Activities**	**(16,609)**

* Sales of goods and services and Other payments for operating activities have been restated to remove Rent Rebates which are not a cash transaction.

30. Officers' Remuneration

The definition of remuneration here includes all amounts paid to or receivable by an employee other than employer's pension contributions and includes sums by way of taxable expense allowances and the estimated monetary value of any benefits.

The number of employees (including those whose remuneration has been disclosed individually in the Senior Officers table at the bottom of this page) whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 were:

2018/2019 Number of Employees	Remuneration Band	2019/2020 Number of Employees
11	£50,000 - £54,999	10
3	£55,000 - £59,999 [1]	3
4	£60,000 - £64,999	4
5	£65,000 - £69,999 [1]	2
1	£70,000 - £74,999	2
2	£75,000 - £79,999	2
1	£80,000 - £84,999	1
2	£85,000 - £89,999	2
0	£95,000 - £99,999	1
1	£105,000 - £109,999	1
1	£125,000 - £129,999	1
31	Total [2]	29

Salary range bandings that are zero for both financial years have been omitted.

1. Remuneration for 2018/2019 included one exit package
2. The number remaining in post at year end 31st March 2020 is 29

The remuneration disclosures for designated Senior Officers (Management Board members) whose salary is less than £150,000 but equal to or more than £50,000 per year are for 2019/2020:
(The Council has no Senior Officers whose salary is £150,000 or more per year.)

2019/2020						
Post Title	**Salary (including fees & allowances) £**	**Expense allowance £**	**Benefits in kind £**	**Total Remuneration £**	Employers Pension Contributions £	Total cost to the Council £
Chief Executive	129,389	0	0	**129,389**	23,345	152,734
Strategic Director	106,199	0	187	**106,386**	17,553	123,939
Strategic Director	97,831	0	1,239	**99,070**	15,805	114,875

The comparative information for 2018/2019 relating to individuals in the 2019/2020 note is:

2018/2019						
Post Title	**Salary (including fees & allowances) £**	**Expense allowance £**	**Benefits in kind (car and medical insurance) £**	**Total Remuneration £**	**Employers Pension Contributions £**	**Total cost to the Council £**
Chief Executive	126,480	0	0	**126,480**	20,835	**147,315**
Strategic Director	99,756	0	5,267	**105,023**	16,345	**121,368**
Strategic Director (from 1 May 2018)	85,833	0	1,136	**86,969**	14,162	**101,131**

Exit Packages

The numbers of exit packages with total cost of compulsory and other departures per band are set out in the tables below. These payments comply with due entitlement under law and Council policy and typically comprise a payment to the employee and, where appropriate, a payment to the Pension fund.

2019/2020				
(a) Exit package cost band (including special payments)	**(b) Number of compulsory redundancies**	**(c) Number of other departures agreed**	**(d) Total number of exit packages by cost band [(b) + (c)]**	**(e) Total cost of exit packages in each band £**
£1 - £20,000	6	0	6	**51,042**
£20,001 - £60,000	2	0	2	**76,395**

2018/2019				
(a) Exit package cost band (including special payments)	**(b) Number of compulsory redundancies**	**(c) Number of other departures agreed**	**(d) Total number of exit packages by cost band [(b) + (c)]**	**(e) Total cost of exit packages in each band £**
£1 - £40,000	3	0	3	**66,492**

31. Members' Allowances

The Code requires the disclosure of all payments relating to the remuneration of Members, not just those formally described as 'allowances'.

Members' allowances totalling £396,975 were paid in 2019/2020 (2018/2019 £394,769). A detailed list of the allowances paid to each Member can be found on the Council's website and is summarised below:

2018/2019 £'000		2019/2020 £'000
271	Basic Allowance	277
108	Special Responsibility Allowance	108
13	Travelling and Subsistence Allowance	11
3	Internet Charges	1
395		**397**

32. External Audit Costs

The authority has incurred the following costs in relation to the audit of the Statement of Accounts:

2018/2019 £'000		2019/2020 £'000
41	Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor for the year *	49
18	Fees payable in respect of other services provided by Grant Thornton UK LLP during the year **	33
59		**82**

* The Council also received a refund from the Public Sector Audit Appointments (PSAA) of £5,020 in February 2020.

** The fees for other services payable in 2019/2020 related to the Housing Capital Receipts Claim and certification of Housing Benefit Grant Claims.

33. Capital Grants and Contributions Income

The table below shows the movement in the **Capital Grants Unapplied Account** in the year. The grant funding was used to finance capital expenditure in the year or transferred to the Capital Grants Unapplied Account to be used for future financing.

31 March 2019 Balance		2019/2020			31 March 2020 Balance
		Credited to Taxation and Non-Specific Grant Income	Credited to Service REFFCUS	Used to Finance Capital Expenditure in Year	
£'000		£'000	£'000	£'000	£'000
(2,006)	Section 106 Contributions	(2,390)	(275)	275	(4,396)
0	Community Infrastructure Levy	(381)			(381)
(210)	Other Contributions	62		12	(136)
(732)	Disabled Facilities Grant (unused)	(146)	(603)	603	(878)
(2,948)		**(2,855)**	**(878)**	**890**	**(5,791)**

34. Related Parties

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

Central Government

Central Government has effective control over some operations of the Council through legislation. It is responsible for providing the statutory framework within which the Council operates, provides key funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits). Details of the main transactions with Government Departments are set out in the note below.

Main transactions with Government Departments
Revenue grants and reimbursements on a cash basis:

2018/2019 £'000		2019/2020 £'000
(15,254)	Rent Allowances	(11,307)
(12,200)	Rent Rebates	(11,491)
(1,526)	Retained Business Rates grants	(2,515)
(1,231)	New Homes Bonus	(1,164)

Revenue expenditure on a cash basis:

2018/2019 £'000		2019/2020 £'000
9,909	Retained Business Rates tariff payment	14,171

Trusts
The Council is sole managing trustee of two charitable trusts:
- Bequest of Joseph Ewart (Charity Number 237580)
- Shottermill Recreation Ground and Swimming Pool (Charity Number 305060)

As the Council is sole trustee of both charities and has the ability to direct operating and financial policies, the accounts of these charities are consolidated into the group accounts of the Council. Accounts of the charities can be found at pages 92-95.

Pension Fund - is administered by Surrey County Council, details of the Pension Fund are shown in note 36 page 72.

Members and Officers

Members of the Council have direct control over the Council's financial and operating policies. Councillors sit on committees and forums of a number of outside bodies, as Borough Council representatives. Details of payments made to these organisations are set out below.

Total Spend	**2019/2020**
	£
Brightwells Gostrey Community Centre	72,289
Citizens' Advice Waverley	214,445
Cranleigh Arts Centre Limited	73,541
Farncombe Day Centre	72,352
Farnham Maltings Council of Management	117,473
Godalming Museum Trust	53,000
Haslewey Community Centre	35,342
Rowleys Centre for the Community	55,370
South East Employers	7,832
The Clockhouse, Milford	53,142
Waverley Hoppa Community Transport	158,305

Every Member, Chief Officer and Head of Service is required to sign a related party transactions declaration. The Council must disclose any transaction that is material to either the Council or the organisation with which the transaction took place. Other than transactions listed above, no material related party transactions have been identified.

Details of councillor appointments to outside bodies can be found on the Waverley Borough Council website. Disclosures on Members' Allowances can be found in note 31 on page 69 and Officers' Remuneration in note 30 page 67.

35. Leases

The Council's activity as lessor:

Finance Leases

At 31 March 2020 the Council has one material asset, Brightwells Regeneration Scheme, for which in 2017/2018 it granted a 150 year finance lease to Surrey County Council. The Finance lease debtor was immediately extinguished by a premium.

Operating Leases

The Council leases out land and property under operating leases for the following purposes:

- economic development purposes to provide suitable accommodation for local businesses
- the provision of community, leisure and recreation facilities.

The Council as "lessor" retains the assets in its Balance Sheet and the rental income is credited to revenue as it becomes due.

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

31 March 2019		**31 March 2020**
£'000		**£'000**
1,423	Not later than one year	1,549
4,148	Later than one year and not later than five years	4,051
54,419	Later than five years	52,575
59,990		**58,175**

The minimum lease payments receivable do not include rents that are contingent on future events, such as adjustments following rent reviews.

36. Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Council participates in The Local Government Pension Scheme (LGPS) which is administered by Surrey County Council. It is a funded defined benefit salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets in the long term. The current scheme operates under the regulatory framework for the LGPS and the governance of the scheme is the responsibility of the Pension Board of Surrey County Council.

In order to ensure that funds are sufficient to cover potential liabilities Surrey County Council employs an actuary who undertakes a formal valuation of the Fund on a triennial basis. The actuary determines appropriate employer's contributions to the Fund to cover the service of current staff for the following three years and backfunding payments required to cover the shortfall relating to past service.

The figures disclosed below have been prepared by Hymans Robertson LLP, the Actuary to the Surrey Pension Fund, and have been produced in accordance with Technical Actuarial Standard 100: Principles for Technical Actuarial Work, which came into force on 1 July 2017.

The Actuary has used the 'projected unit credit' method of valuation to project the valuation results of the latest formal valuation date forward to 31 March 2020 using approximation methods. The roll-forward allows for changes in financial assumptions, additional benefit accrual and estimated cash flows over the period.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (ie large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies note (1.7).

In the Council's opinion, the assumptions made by the Actuary, including rates of return on assets, discount rates, inflation and life expectancy are appropriate. There were no special factors regarding the Council's profile that would be likely to have a material impact upon the Actuary's figures.

Further information relating to the Surrey Pension Fund can be found in the Pension Fund's Annual Report which is available from Pension Services, Surrey County Council, Room 243, County Hall, Penrhyn Road, Kingston-Upon-Thames, KT1 2DN (website www.surreypensionfund.org).

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, the charge required to be made against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund and Housing Revenue Account via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

2018/2019 £'000		2019/2020 £'000
	Comprehensive Income and Expenditure Statement	
	Cost of Services:	
4,740	Current Service Cost	5,469
652	Past Service Cost	44
	Financing and Investment Income and Expenditure:	
1,539	Net interest expense	1,643
6,931	**Total Post-employment Benefits charged to the (Surplus) or Deficit on the Provision of Services**	**7,156**
	Other Post-employment Benefits charged to Comprehensive Income and Expenditure Statement	
	Remeasurement of the net defined benefit liability comprising:	
(3,675)	Return on assets (excluding the amount included in net interest expense)	14,086
0	Actuarial losses/(gains) arising on changes in demographic assumptions	(4,188)
9,314	Actuarial losses/(gains) arising on changes in financial assumptions	(12,920)
74	Other experience losses/(gains)	(2,238)
5,713	**Total remeasurement of the net defined benefit liability loss / (gain)**	**(5,260)**
12,644	**Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement**	**1,896**
	Movement in Reserves Statement	
	General Fund Balance	
(5,420)	Reversal of net charges made to the (Surplus) or Deficit for the Provision of Services for post-employment benefits in accordance with the code	(5,489)
	Actual amount charged against the General Fund Balance:	
2,494	Employers' contributions payable to scheme	2,578
	Housing Revenue Account Balance	
(1,511)	Reversal of net charges made to the (Surplus) or Deficit for the Provision of Services for post-employment benefits in accordance with the code	(1,667)
	Actual amount charged against the HRA Balance for pensions in the year:	
1,064	Employers' contributions payable to scheme	1,073

Balance Sheet Disclosures

Assets and Liabilities in Relation to Post-employment Benefits

The underlying assets and liabilities for retirement benefits attributable to the Council at 31 March are as follows:

31 March 2019 £'000		31 March 2020 £'000
(183,051)	Estimated liabilities in scheme	(168,418)
115,064	Estimated assets in scheme *	102,186
(67,987)	**Net asset / (liability) ***	**(66,232)**

The liabilities show the underlying commitments that the Council has to pay retirement benefits. The net liability of £66million has an impact on the theoretical net worth of the Council as recorded in the Balance Sheet. In order to reduce the deficit on the Council's element of the Fund, the Council is required to make annual backfunding contributions to the Fund in addition to contributions relating to current service.

* The Council's element of the Fund assets as at 31 March 2020 differs from the Actuary's estimate by £586,000 to reflect the actual cumulative payments made to the Fund. The net liability shown here is therefore £586,000 higher than the actuarial figure of £65.646million.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the 'projected unit credit' method, as required under IAS19.

The main assumptions used by the Actuary in the calculations have been:

31 March 2019		31 March 2020
2.8%	Rate of increase in salaries	2.8%
2.5%	Rate of increase in pensions	1.9%
2.4%	Rate for discounting scheme liabilities	2.3%
25%/63%	Take-up of option to convert annual pension into retirement grant (pre/post April 2008)	25%/63%

Life Expectancy

Life expectancy is based on the Fund's VitaCurves, with improvements in line with the Chartered Management Institute (CMI) 2018 Model, an allowance for smoothing of recent mortality experience and long-term rates of 1.25% pa for males and females.

Longevity:

31 March 2019			31 March 2020	
Males	Females		Males	Females
22.5 years	24.6 years	Current Pensioners	22.1 years	24.3 years
24.1 years	26.4 years	Future Pensioners *	22.9 years	25.7 years

* Figures assume members aged 45 as at the last formal valuation date

Pension scheme assets comprised

Assets in the Surrey Pension Fund are valued at bid value as required under IAS19. The figures for the Council represent a proportionate share of the Fund as a whole.

31 March 2019 Assets Total		Period ended 31 March 2020 Assets		
		Quoted prices in active markets	Quoted prices not in active markets	Total
£'000		£'000	£'000	£'000
	Equity investments			
3,131	Consumer	2,933		2,933
2,009	Manufacturing	2,189		2,189
1,782	Energy & Utilities	795		795
1,794	Financial Institutions	1,731		1,731
1,532	Health & Care	1,770		1,770
3,424	Information Technology	3,354		3,354
305	Other	58		58
	Debt Securities			
0	Corporate Bonds (investment gra	0		0
0	Corporate Bonds (non-investmer	0		0
0	UK Government	0	5,811	5,811
0	Other	0		0
6,855	**Private Equity**	0	8,222	8,222
	Real Estate			
5,485	UK Property	1,779	3,365	5,144
2,006	Overseas Property	0	2,258	2,258
	Investment Funds & Unit Trusts			
63,385	Equities	54,078	0	54,078
19,316	Bonds	11,962	0	11,962
	Derivatives			
0	Interest Rate	0		0
675	Foreign Exchange	(1,033)		(1,033)
3,938	**Cash & Equivalents**	3,500		3,500
115,637		**83,116**	**19,656**	**102,772**

Actuary's Estimated Movements in Deficit during the Year

2018/2019 £'000		2019/2020 £'000
(58,346)	Opening Position as at 1 April	(67,414)
(4,740)	Current Service Cost	(5,469)
(652)	Past Service Cost	(44)
3,438	Employer Contributions	3,537
138	Contributions in respect of Unfunded Benefits	127
(1,539)	Net Return on Assets	(1,643)
	Actuarial Remeasurements:	
3,675	Actual Return less Expected Return on Pension Scheme Assets	(14,086)
0	Changes in Demographic Assumptions	4,188
(9,314)	Changes in Financial Assumptions	12,920
(74)	Other Experience	2,238
(67,414)	**Deficit at end of Year**	**(65,646)**

Reconciliation of present value of the scheme liabilities (Defined Benefit Obligation)

2018/2019 £'000		2019/2020 £'000
168,422	Opening Position as at 1 April	183,051
4,740	Current Service Cost	5,469
652	Past Service Cost	44
4,387	Interest Cost	4,406
	Actuarial Losses:	
0	Changes in Demographic Assumptions	(4,188)
9,314	Changes in Financial Assumptions	(12,920)
74	Other Experience	(2,238)
800	Member Contributions	827
(5,200)	Estimated Benefits Paid	(5,906)
(138)	Estimated Unfunded Benefits Paid	(127)
183,051	**Defined Benefit Obligation at end of Year**	**168,418**

Reconciliation of the movements in the fair value of the scheme assets

2018/2019 £'000		2019/2020 £'000
110,076	Fair Value of Employer Assets at beginning of Year	115,637
2,848	Interest Income on Plan Assets	2,763
3,675	Actual Return less Expected Return on Pension Scheme Assets	(14,086)
3,438	Employer contributions	3,537
138	Contributions in respect of Unfunded Benefits	127
800	Member Contributions	827
(5,200)	Estimated Benefits Paid	(5,906)
(138)	Estimated Unfunded Benefits Paid	(127)
115,637	**Fair Value of Employer Assets at end of Year**	**102,772**

Recognition in the Profit or Loss

31 March 2019 £'000		31 March 2020 £'000
4,740	Current Service Cost	5,469
4,387	Interest Cost	4,406
(2,848)	Expected Return on Employer Assets	(2,763)
652	Past Service Cost	44
6,931	**Total**	**7,156**

Summary of Scheme Position over past Five Years - Actuarial Figures

	31 March 2016 £'000	31 March 2017 £'000	31 March 2018 £'000	31 March 2019 £'000	31 March 2020 £'000
Fair Value of Assets	96,239	109,102	110,076	115,637	102,772
Less Present Value of Liabilities	(141,696)	(166,760)	(168,422)	(183,051)	(168,418)
Surplus/(Deficit) in Scheme	(45,457)	(57,658)	(58,346)	(67,414)	(65,646)

Projected Pension Expense for the Year to 31 March 2021

	31 March 2021 % of pay	31 March 2021 £'000
Projected Current Service Cost	34.3%	4,118
Income Interest on Plan Assets	-19.5%	(2,348)
Interest cost on Scheme Obligations	32.1%	3,862
Total	**46.9%**	**5,632**

The Actuary estimates the Council's Employer's Contributions for the Year to 31 March 2021 will be £3,678,000.

Sensitivity Analysis

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

Change in Assumptions at year ended 31 March 2020	Approximate % increase to Employer Liability	Amount £'000
0.5% decrease in Real Discount Rate	9%	14,353
0.5% increase in the Salary Increase Rate	1%	1,149
0.5% increase in the Pension Increase Rate	8%	13,099

The sensitivity analysis below shows the new Defined Benefit Obligation if the changes in assumptions were realised.

	Defined Benefit Obligation £'000
No change to assumptions	168,418
0.5% decrease in Real Discount Rate	182,771
0.5% increase in Salary Increase Rate	169,567
0.5% increase in Pension Increase Rate	181,517

37. Provisions, Contingent Liabilities and Contingent Assets

As at 31 March 2020 the Council has no material provisions, contingent liabilities or contingent assets. It does, however, have a small contingent liability relating to revenue losses in the leisure centres across the borough as at the Balance Sheet date, this potential liability increases in size during 2020/2021.

In addition to the above, the Council has a provision of £1,507,200 for losses on backdated Business Rates appeals relating to the 2010 and the 2017 Rating Lists. See also note 4 to the Collection Fund on page 90.

Supplementary Financial Statements

Housing Revenue Account (HRA)

The Collection Fund

Housing Revenue Account (HRA) Income and Expenditure Statement

The 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 to be funded from rents and government grants. The Council charges rents to cover expenditure in accordance with the legislative framework. 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 Housing Revenue Account Statement.

2018/2019 £'000		2019/2020 £'000
	Expenditure	
4,392	Repairs and Maintenance	4,063
6,487	Supervision and Management	6,539
263	Rent, Rates, Taxes and other charges	327
0	Negative Subsidy transfer to General Fund	0
13	Transitional funding of Supporting People	5
15,620	Depreciation, Impairment and Revaluations Losses of Non-Current Assets [1]	9,702
24	Debt Management Costs	32
26,799	**Total Expenditure**	**20,668**
	Income	
(28,441)	Dwelling Rents	(28,095)
(492)	Non-Dwelling Rents	(483)
(762)	Charges for services and facilities	(659)
(278)	Contributions towards expenditure	(237)
(29,973)	**Total Income**	**(29,474)**
(3,174)	**Net Expenditure or Income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement**	**(8,806)**
594	HRA services share of Corporate and Democratic Core	568
563	HRA share of other amounts included in the whole authority Cost of Services but not allocated to specific services	601
(2,017)	**Net Expenditure or Income of HRA Services**	**(7,637)**
	HRA share of the operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement:	
(1,791)	(Gain)/Loss on disposal of HRA non-current assets	(1,851)
5,741	Interest payable and similar charges	5,671
(211)	Interest and Investment income	(284)
(99)	Investment Properties	(55)
369	Pension Interest Cost & Expected Return on Pension Assets	385
93	Impairment losses	95
(429)	Capital Grants and Contributions	0
1,656	**(Surplus)/Deficit for the year on HRA Services**	**(3,676)**

Notes to the Housing Revenue Account are contained in pages 82-87.

1. In 2018/2019 the Council's newly built Dwelling stock incurred a revaluation loss of £9 million reflecting the difference in construction cost and asset valuation for completed new build properties which are required to be valued at social housing value. In 2019/2020 the revaluation loss was £1.5 million.

Movement on the Housing Revenue Account Statement

2018/2019 £'000		2019/2020 £'000	£'000
(5,256)	Balance on the HRA as at the end of the previous reporting period		**(7,497)**
1,656	(Surplus)/Deficit on the HRA Income and Expenditure Statement	(3,676)	
(6,873)	Adjustments between accounting basis and funding basis under statute (note 6)	424	
(5,217)	Net (increase) or decrease before transfers to or from reserves	(3,252)	
2,976	Transfers to or (from) reserves (note 6)	3,805	
(2,241)	(Increase) or decrease in year on the HRA		553
(7,497)	**Balance on the HRA at the end of the current reporting period**		**(6,944)**

Notes to the Housing Revenue Account

1. Housing Revenue Account - Asset Analysis

2019/2020 Movements in number of Assets	**As at 1 April 2019**	**Reclass-ifications**	**Additions**	**Disposals/ Demolitions**	**As at 31 March 2020**
Property, Plant and Equipment					
Council Dwellings	4,830	3	7	(14)	**4,826**
Other Land and Buildings	734	0	1	0	**735**
Total Property, Plant and Equipment	**5,564**	**3**	**8**	**(14)**	**5,561**
Investment Properties	6	0	0	0	**6**
Assets Held for Sale	0	0	0	0	**0**
Total HRA Assets	**5,570**	**3**	**8**	**(14)**	**5,567**

2018/2019 Movements in number of Assets	**As at 1 April 2018**	**Reclass-ifications**	**Additions**	**Disposals/ Demolitions**	**As at 31 March 2019**
Property, Plant and Equipment					
Council Dwellings	4,822	0	46	(38)	**4,830**
Other Land and Buildings	735	0	0	(1)	**734**
Surplus Assets					**0**
Total Property, Plant and Equipment	**5,557**	**0**	**46**	**(39)**	**5,564**
Investment Properties	6	0	0	0	**6**
Assets Held for Sale	1	0	0	(1)	**0**
Total HRA Assets	**5,564**	**0**	**46**	**(40)**	**5,570**

Property, Plant and Equipment
Movements in 2019/2020

	Council Dwellings £'000	Other Housing Land & £'000	Assets Under Construction £'000	Total £'000
Cost or Valuation				
At 1 April 2019	422,418	7,576	365	**430,359**
Additions/enhancements	6,193	105	5,128	**11,426**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	6,126	50	0	**6,176**
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(3,853)	(64)	0	**(3,917)**
Derecognition Disposals	(1,360)	0	0	**(1,360)**
Other Reclassifications	292	0	(292)	**0**
At 31 March 2020	429,816	7,667	5,201	**442,684**
Depreciation and Impairments				
At 1 April 2019	0	(802)	0	**(802)**
Charge for 2019/2020	(5,501)	(328)	0	**(5,829)**
Depreciation written out to the Revaluation Reserve	5,501	258	0	**5,759**
Depreciation written out on revaluation to Net Cost of HRA Services	0	53	0	**53**
At 31 March 2020	0	(819)	0	(819)
Balance Sheet amount at 31 March 2020	**429,816**	**6,848**	**5,201**	**441,865**

Property, Plant and Equipment

Movements in 2018/2019

	Council Dwellings (Restated) £'000	Other Housing Land & Buildings (Restated) £'000	Assets Under Construction £'000	Total £'000
Cost or Valuation				
At 1 April 2018	419,893	6,808	8,636	**435,337**
Additions/enhancements	4,284	0	1,810	**6,094**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(1,440)	770	0	**(670)**
Revaluation increases/(decreases) recognised in the Net Cost of HRA Services	(9,080)	(2)	0	**(9,082)**
Derecognition Disposals	(1,320)	0	0	**(1,320)**
Other Reclassifications	10,081	0	(10,081)	**0**
At 31 March 2019	422,418	7,576	365	**430,359**
Depreciation and Impairments				
At 1 April 2018	0	(597)	0	**(597)**
Charge for 2018/2019	(6,204)	(325)	0	**(6,529)**
Depreciation written out to the Revaluation Reserve	6,204	120	0	**6,324**
At 31 March 2019	0	(802)	0	**(802)**
Balance Sheet amount at 31 March 2019	**422,418**	**6,774**	**365**	**429,557**

Restatement - Council Dwellings and Other Housing Land and Buildings have been restated to reflect the treatment of the downward loss in value in 2018/2019 as a Revaluation Loss rather than an Impairment Loss.

General Notes

Valuation of Council Dwellings and other HRA Land and Buildings

The Council's Valuer carries out a full revaluation of at least 20% of the stock as at 1 April each year and the remaining 80% of the stock is revalued on a desk top basis in accordance with Government guidelines. Each year a different 20% of the stock will have a full revaluation on a five-year cycle. The basis of valuation is Existing Use Value (EUV) with a downward adjustment to reflect the use of the properties for social housing.

Asset disposals have been written out at their book value. In 2019/2020 14 properties were sold through the right-to-buy scheme.

Additions to the Council Dwellings category represent properties purchased, built and capital expenditure in the year on the housing stock.

2. The vacant possession value of dwellings within the Council's HRA

1 April 2019 £'000		1 April 2020 £'000
1,280,050	General Stock (including Fully Sheltered Dwellings) and Shared Ownership	1,302,472
1,280,050		**1,302,472**

Explanation of the Vacant Possession Valuation

The vacant possession valuation is based on the assumption that the property will be sold with vacant possession and not for social housing purposes. The difference between the valuation that appears in Waverley's Consolidated Balance Sheet, which is based on the assumption that properties will be sold for social housing purposes, and the vacant possession valuation reflects the notional economic cost of holding council housing at less than market rents.

3. Summary of total HRA capital expenditure during the year and its financing

2018/2019 £'000		2019/2020 £'000
	Capital Investment	
4,284	Council Dwellings	6,193
0	Other Housing Land & Buildings	105
1,810	Assets Under Construction	5,128
6,094		**11,426**
	Sources of finance	
(390)	Revenue Contribution	(3,036)
(375)	Other Grant	0
(1,382)	Capital Receipts Reserve	(4,995)
(3,947)	Major Repairs Reserve	(3,395)
(6,094)		**(11,426)**

4. Capital Receipts received in year

2018/2019 £'000		2019/2020 £'000
3,109	Right-to-Buy	2,820
216	Other Buildings	383
6	Land	8
3,331		**3,211**

5. Reconciling items for the Statement of Movement on the Housing Revenue Account

2018/2019 £'000			2019/2020 £'000
	1. Adjustments between accounting basis and funding basis under regulations		
	Transfers to/from the Capital Adjustment Account (CAA)		
(334)	Depreciation on other HRA Assets		(337)
(6,204)	Depreciation on Council Dwellings		(5,501)
(9,082)	Reversal of Impairment and Revaluation Losses		(3,864)
46	Reversal of movements in the fair value of Investment Properties		(5)
	Net of Gain/(Loss) on disposal of HRA non-current assets		
(1,540)	Amount of non-current assets written off on disposal to CAA	(1,360)	
3,331	Sale proceeds (credited to the Capital Receipts Reserve)	3,211	
1,791			1,851
6,538	Transfer depreciation to the Major Repairs Reserve		5,838
390	Capital charged against the HRA balance		3,036
375	Capital Grants and Contributions applied to capital expenditure		0
54	Capital Grants and Contributions unapplied		0
(1,511)	Net charges made for retirement benefits in accordance with IAS19		(1,667)
1,064	Actual amount charged against the HRA Balance for pensions in the year		1,073
(6,873)			**424**
	2. Transfers to/(from) Earmarked Reserves		
2,154	Net transfer to/(from) New Affordable Homes Reserve		77
(556)	Net transfer to/(from) Stock Improvement Reserve		(17)
243	Movement in Major Repairs Reserve		3,880
(19)	Net Contribution to/(from) Uninsured Loss Reserve		(7)
(70)	Transfer to/(from) Revenue Grants Earmarked Reserve		(2)
1,224	Transfer to/(from) Earmarked Reserve		(126)
2,976			**3,805**

6. Analysis of the movement on the Major Repairs Reserve during the year

2018/2019 £'000			2019/2020 £'000
(874)	**Balance Brought Forward as at 1 April**		0
(6,538)	Depreciation transfer into the Major Repairs Reserve	(5,838)	
3,947	Capital Expenditure: Dwellings	3,395	
3,708	Payment of Principal	4,223	
(243)	Transfer to/(from) HRA	(3,880)	
874	Movement in Year		**(2,100)**
0	**Balance Carried Forward as at 31 March**		**(2,100)**

An Explanation of the Major Repairs Reserve

To meet the requirements of the Accounts and Audit Regulations 2015 the Major Repairs Reserve is credited and the HRA balance is debited with an amount equal to the depreciation charged to the HRA. In order to neutralise the impact on the HRA of this entry, a corresponding transfer is also required where the HRA balances are credited and the Capital Adjustment Account debited. Both these entries are reported in the Movement in Reserves Statement.

7. Rent Arrears

As at 31 March 2019			As at 31 March 2020		
Arrears £'000	% of annual debit		Gross Annual Debit £'000	Arrears £'000	% of annual debit
301	1.00%	Housing Stock	29,853	313	1.05%
3	1.80%	Shared Ownership	179	2	1.12%
304	**1.00%**	**Total Arrears**	**30,032**	**315**	**1.05%**

As at 31 March 2020, the impairment allowance for the provision for irrecoverable rent arrears was £187,000.
(31 March 2019 £130,000)

The Collection Fund

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities, such as Waverley, to collect and redistribute revenue on behalf of other bodies. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and payments to Local Authorities and the Government of Council Tax and Business Rates.

2018/2019 £'000		2019/2020 Business Rates £'000	2019/2020 Council Tax £'000	2019/2020 Total £'000
	Income			
(103,658)	Council Tax Receivable		(109,007)	(109,007)
(37,694)	Business Rates Receivable	(37,006)		(37,006)
(1,268)	Transitional Protection Payments Receivable	(692)		(692)
(142,620)	**Total Income**	**(37,698)**	**(109,007)**	**(146,705)**
	Expenditure			
	Apportionment of 2018/2019 Estimated Surplus/(Deficit) distributed to the major preceptors in 2019/2020:			
(957)	Central Government (Business Rates)	(552)	0	(552)
(686)	Waverley Borough Council	(188)	80	(108)
280	Surrey County Council	482	480	962
79	Police & Crime Commissioner for Surrey	0	80	80
(1,284)		**(258)**	**640**	**382**
	Precepts, Demands and Shares:			
0	Central Government (Business Rates)	18,343	0	18,343
24,294	Waverley Borough Council (including parishes)*	14,674	13,235	27,909
103,478	Surrey County Council	3,669	79,461	83,130
12,820	Police & Crime Commissioner for Surrey	0	14,245	14,245
140,592		**36,686**	**106,941**	**143,627**
	Charges to Collection Fund:			
1,081	Increase in impairment allowance for doubtful debts	1,436	2,227	3,663
(1,551)	Increase(decrease) in Provision for Appeals	(154)		(154)
177	Cost of Collection (Business Rates)	177		177
(293)		**1,459**	**2,227**	**3,686**
(3,605)	**(Surplus)/Deficit arising during the year**	**189**	**801**	**990**
2,320	**(Surplus)/Deficit brought forward 1 April 2019**	(524)	(761)	(1,285)
(1,285)	**(Surplus)/Deficit carried forward 31 March 2020**	**(335)**	**40**	**(295)**

* From this £14,674,000 transfer to Waverley Borough Council, a tariff of £14,171,000 is paid to the Government from the General Fund

Notes to the Collection Fund Accounts

1. Council Tax Base

For tax-setting purposes, the number of dwellings in each valuation band, converted to Band D equivalents and allowing for a collection rate of 99.0%, was estimated to be as follows:-

Chargeable Dwellings	2018/2019 Band D equivalents	Average Council Tax £	Band	Ratio to Band D	Chargeable Dwellings	2019/2020 Band D equivalents	Average Council Tax £
-	-	-	A (Disabled Relief)	5/9	-	-	-
627.18	413.9	1,255.10	A	6/9	635.36	419.3	1,304.11
1,995.35	1,536.4	1,464.28	B	7/9	2,040.70	1,571.3	1,521.46
7,026.34	6,183.2	1,673.47	C	8/9	7,115.00	6,261.2	1,738.81
10,349.78	10,246.3	1,882.65	D	9/9	10,419.00	10,314.8	1,956.16
8,365.09	10,121.8	2,301.02	E	11/9	8,443.47	10,216.6	2,390.86
6,302.54	9,012.6	2,719.38	F	13/9	6,353.40	9,085.4	2,825.56
7,791.60	12,856.0	3,137.75	G	15/9	7,842.18	12,939.6	3,260.27
1,929.71	3,820.8	3,765.30	H	18/9	1,949.93	3,860.9	3,912.32
44,387.59	**54,191.0**				**44,799.04**	**54,669.1**	

Individual charges are calculated by estimating the amount of income required to be paid from the Collection Fund in the year to the Police & Crime Commissioner for Surrey, Surrey County Council, Waverley Borough and Town and Parish Councils (£106,941,491), dividing this by the total Band D equivalents shown above (54,669.1) and rounding for administrative purposes. The resultant average charge at Band D of £1,956.16 is then multiplied by the proportion specified for a particular band to give an individual (average) amount due.

2. Business Rates

From April 2013 the Government implemented a new system of localised Business Rates. In 2019/20 Waverley paid 50% of the Business Rates it collected to the Government, 10% to Surrey County Council and retained 40%. Waverley also paid a tariff of £14,171,000 to the Government in 2019/2020 from the General Fund.

The amount due to be paid by a business is calculated by multiplying the rateable value of the property by the appropriate multiplier.

There are two multipliers: the standard non-domestic rating multiplier and the small business non-domestic rating multiplier. The former is higher to pay for small business rate relief. In 2019/2020 the standard national rate multiplier was 50.4p (2018/2019 49.3p) and the small business multiplier was 49.1p (2018/2019 48.0p).

The total rateable value of business premises in Waverley as at 31 March 2020 was £104,981,400 (compared with £105,947,242 on 31 March 2019).

3. Impairment of Debts

In 2019/2020, £433,958 of Council Tax arrears were written off to the Impairment Allowance for doubtful debts compared with £281,743 in 2018/2019. For Business Rates, £599,117 arrears were written off to the Impairment Allowance for doubtful debts in 2019/2020 compared to £1,693 credits written back in 2018/2019.

4. Allocation of Year-End Balances

Council Tax

The opening balance for the Council Tax element of the Collection Fund for 2019/2020 was a surplus of £761,269. Based on the estimated position in January 2019, a £640,000 surplus was distributed to the major preceptors in 2019/2020.

By the end of the 2019/2020 financial year there was a £40,042 deficit on the Council Tax element of the Collection Fund. £950,000 will be distributed to the major preceptors during 2020/2021 in proportion to their demand on the fund in 2019/2020. The overpayment of £990,042 will be adjusted with major preceptors in 2021/2022 in proportion to the 2020/2021 demands on the Collection Fund.

	Waverley Borough Council	Surrey County Council	Surrey Police & Crime Commissioner	Total
	£	£	£	£
Share of estimated £950,000 surplus	(117,570)	(705,885)	(126,545)	(950,000)
Share of £990,042 overpaid	121,559	736,619	131,864	990,042
Net share of outturn	**3,989**	**30,734**	**5,319**	**40,042**

Business Rates

The opening balance for the Business Rates element of the Collection Fund for 2019/2020 was a surplus of £524,492.

In January 2020 the estimate of the final accumulated Business Rates position for 2019/2020 was a deficit of £48,808 and the Council advised precepting authorities accordingly for statutory 2020/2021 budget-setting purposes. At the end of the 2019/2020 financial year there was, however, a surplus of £334,749 on the Business Rates element of the Collection Fund.

The Council will adjust for the estimated deficit of £48,808 during the 2020/2021 year based on the applicable proportions and the overstated deficit of £383,557 will be adjusted against the 2021/2022 proportionate shares of non-domestic rate income.

	Waverley Borough Council	Surrey County Council	Central Government	Total
	£	£	£	£
Share of £48,808 estimated deficit	97,757	(464,523)	415,574	48,808
Share of £383,557 overstated deficit	(153,423)	(38,356)	(191,778)	(383,557)
Net share of outturn	**(55,666)**	**(502,879)**	**223,796**	**(334,749)**

Provision for backdated Business Rates appeal costs

The Council has a provision for the losses on backdated Business Rates appeal costs at 31 March 2020 (relating to the 2010 and the 2017 Rating List) as follows:

	Waverley Borough Council	Surrey County Council	Central Government	Total
	£	£	£	£
Share of £3,768,000 provision for backdated Business Rates appeal costs:	1,507,200	376,800	1,884,000	3,768,000

Trust Accounts

Waverley Borough Council as Trustee of Shottermill Recreation Ground

Statement of Financial Activities

The Council are Trustees of the Shottermill Recreation Ground and the Trust's leisure centre, Haslemere Leisure Centre, was opened during 1998/1999. The management of the Haslemere Leisure Centre is wholly contracted out and the accounts represent the costs of the Trustee in its capacity as the client of the management contractors.

2018/2019 £'000		2019/2020 Unrestricted Funds £'000	2019/2020 Endowment Funds £'000	2019/2020 Total Funds £'000
	Incoming Resources			
	Incoming Resources from generated funds			
(1)	Investment Income (Interest on cash balance)	(2)		(2)
	Incoming resources from charitable activities			
(137)	Management Fee	(169)		(169)
(138)	**Total Incoming Resources**	**(171)**	**0**	**(171)**
	Resources Expended			
	Charitable activities			
2	Audit Fee	3		3
90	Management fee to Waverley Borough Council	101		101
28	Support costs	29		29
193	Depreciation and Revaluations		210	210
313	**Total Resources Expended**	**133**	**210**	**343**
175	**Net (incoming)/outgoing resources**	**(38)**	**210**	**172**
	Other recognised gains/losses			
0	Gains/losses on revaluation of fixed assets		(1,869)	(1,869)
175	**Net Movement in Funds**	**(38)**	**(1,659)**	**(1,697)**
	Reconciliation of Funds			
(9,006)	Funds brought forward as at 1 April 2019	(189)	(8,642)	(8,831)
175	Net Movement in Funds	(38)	(1,659)	(1,697)
(8,831)	**Funds carried forward as at 31 March 2020**	**(227)**	**(10,301)**	**(10,528)**

Balance Sheet as at 31 March 2020

The assets in this Balance Sheet comprise the Haslemere Leisure Centre and its plant and equipment. These assets are not the property of the Council and are subject to a charitable trust.

31 March 2019		31 March 2020 Unrestricted Funds £'000	Endowment Funds £'000	Total £'000
	Fixed Assets			
8,539	Land and Buildings		10,224	10,224
103	Plant and Equipment		77	77
8,642	**Total Fixed Assets**	0	10,301	10,301
	Current Assets			
11	Debtors	10		10
182	Deposits with Waverley Borough Council	220		220
193		230	0	230
8,835	**Total Assets**	230	10,301	10,531
	Less: Current Liabilities			
(4)	Creditors	(3)		(3)
8,831	**Total Assets less Current Liabilities**	**227**	**10,301**	**10,528**
	The Funds of the Charity:			
(189)	Unrestricted Funds	(227)		(227)
(8,642)	Endowment Funds		(10,301)	(10,301)
(8,831)	**Total Charity Funds**	**(227)**	**(10,301)**	**(10,528)**

Waverley Borough Council as Trustee of the Ewart Bequest

Statement of Financial Activities

The former Farnham Urban District Council inherited the bulk of the estate of the late Joseph Ewart in 1958. The monies were left in trust for the purchase of a piece of land in or near Farnham, the building and the subsequent maintenance of small dwellings suitable for elderly people of limited financial resources. In 2000/2001, following approval given by the Charity Commission, the Bequest financed the construction of a further three bungalows in Farnham, to provide additional accommodation on the same terms as the original Bequest. The three new bungalows were completed at the beginning of 2001/2002.

2018/2019 (Restated *) **£'000**		**2019/2020** Unrestricted Funds £'000	Endowment Funds £'000	Total Funds £'000
	Incoming Resources			
	Incoming Resources from generated funds			
(13)	Investment Income (Interest on cash balance)	(15)		(15)
(83)	Rental Income	(81)		(81)
(45)	Contributions towards expenditure	0		0
(141)	**Total Incoming Resources**	**(96)**	**0**	**(96)**
	Resources Expended			
	Charitable activities			
17	Premises and fees	19		19
2	Audit Fee	3		3
6	Support Costs	10		10
36	Depreciation and Revaluations		39	39
61	**Total Resources Expended**	**32**	**39**	**71**
(80)	**Net (incoming)/outgoing resources**	**(64)**	**39**	**(25)**
	Transfers between funds			
0	Asset additions	3	(3)	0
	Other Recognised Gains/(Losses)			
(21)	(Gains)/Losses on the revaluation of fixed assets		4	4
(101)	**Net Movement in Funds**	**(61)**	**40**	**(21)**
	Reconciliation of Funds			
(2,866)	Funds brought forward as at 1 April 2019	(1,315)	(1,652)	(2,967)
(101)	Net Movement in Funds	(61)	40	(21)
(2,967)	**Funds carried forward as at 31 March 2020**	**(1,376)**	**(1,612)**	**(2,988)**

* Rental income includes Benefits paid and Benefits subsidy to give net rental income.

Balance Sheet as at 31 March 2020

The assets in this Balance Sheet comprise 16 dwellings in College Gardens, Farnham and 3 dwellings in Arthur Road, Farnham. These assets are not the property of the Council and are subject to a charitable trust.

31 March 2019		31 March 2020		
		Unrestricted Funds	Endowment Funds	Total
£'000		£'000	£'000	£'000
	Fixed Assets			
1,652	Other Land and Buildings - Trust dwellings		1,612	1,612
	Current Assets			
8	Debtors	8		8
1,313	Deposits with Waverley Borough Council	1,374		1,374
1,321		1,382	0	1,382
2,973	**Total Assets**	1,382	1,612	2,994
	Less: Current Liabilities			
(6)	Creditors & Receipts in Advance	(6)		(6)
2,967	**Total Assets less Current Liabilities**	**1,376**	**1,612**	**2,988**
	The Funds of the Charity:			
(1,315)	Unrestricted Funds	(1,376)		(1,376)
(1,652)	Endowment Funds		(1,612)	(1,612)
(2,967)	**Total Charity Funds**	**(1,376)**	**(1,612)**	**(2,988)**

Glossary of Terms and Abbreviations

Accruals This concept recognises income and expenditure as it is earned or incurred, not as money is received or paid.

AIS Annual Investment Strategy

Amortisation The systematic allocation of the depreciable amount of an intangible asset over its useful life.

Amortised Cost The amount at which the financial asset or financial liability is measured at initial recognition adjusted for principal repayments, cumulative amortisation, and any allowance for impairment or un-collectability.

Arrears Money that is owed and should have been paid at an earlier date.

Asset Any object tangible or intangible, that is of value to its owner. Tangible assets include land and buildings, plant and machinery, fixtures and fittings & stock. Intangible assets include goodwill, patents, licences, copyrights and trademarks.

Business Rates Retention In April 2013 the Government introduced the business rates retention scheme which provides a direct link between business rates growth and the amount of money councils have to spend. Councils are able to keep a proportion of the business rates revenue and growth that is generated in their area.

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

Capital Adjustment Account (CAA) An unusable reserve that 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.

Capital Receipts The proceeds from the disposal of non-current assets. Capital receipts can be used to pay off outstanding debt and to finance new capital expenditure within rules set down by Central Government, however they cannot be used to finance revenue expenditure.

Carrying amount/value The cost or value less depreciation and impairment.

Central Services to the Public This covers services to the public that are often provided by central departments and includes Local Tax Collection, Elections, Emergency Planning, Local Land Charges and General Grants.

CIPFA The Chartered Institute of Public Finance and Accountancy

Community Assets Assets that the Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal eg Common Land.

Community Infrastructure Levy (CIL) Funds from developers when property is built to enable infrastructure improvements in the area.

Contingent Asset A potential asset that, at the Balance Sheet date, can be anticipated to exist if a particular event occurs. An example may be the expectation of a compensation payment dependant on the outcome of a legal case.

Contingent Liability An obligation that, at the Balance Sheet date, can be anticipated to arise if a particular event occurs. A typical example is a legal claim pending settlement where there is no clear precedent.

Contingent Rent That portion of a lease payment that is not fixed in amount but is based on a factor other than just the passage of time (eg price indices).

CPI Consumer Prices Index

Creditors A creditor is an organisation, body or individual from whom the Council has purchased goods or services but to whom payment has not yet been made at year-end.

Debtors Organisations, bodies and individuals who have received goods or services from the Council but from whom payment has not been received at year-end.

Deferred Credit This is income that has been received before the period or periods to which it relates. The income is shown in the Balance Sheet.

Deficit A deficit will arise where expenditure exceeds income. A deficit can be financed by reserves.

De Minimis a threshold which anything falling below is too small to be of concern.

Depreciated Replacement Cost (DRC) Asset valuation based on the replacement of the asset at the current level of service (the current gross replacement cost less allowances for physical deterioration or obsolescence)

Depreciation The decrease in value of a non-current asset due to use in the period. Depreciation is charged to services.

Derivatives A financial contract with a value which is determined by an underlying asset(s).

Effective Interest method A method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period.

Effective Interest rate The rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument

Existing Use Value (EUV) This is a method of valuing property that achieves a valuation based on the current use of the asset.

Existing Use Value - Social Housing (EUV-SH) Existing Use Value less an allowance to take account of the property being used for social housing (valuation basis for the Council's dwelling stock).

Fair Value 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.

Financial Instrument A financial instrument is any contract that gives rise to a financial asset (a right to future economic benefit) to one entity and a financial liability (an obligation to transfer economic benefit) to another.

FRICS Fellow of the Royal Institute of Chartered Surveyors

FRS Financial Reporting Standard

General Fund This is the Council's main revenue fund to which the day-to-day costs of providing the services are charged. The fund covers all the services provided by the Council except for the provision of council housing which has its own separate fund known as the Housing Revenue Account.

Gross Book Value (GBV) The GBV of a non-current asset is the purchase or revalued value before any depreciation has been deducted.

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

Historical Cost The carrying amount of an asset as at 1 April 2007 (the date the Revaluation Reserve was created) or the date of acquisition if later, adjusted for subsequent depreciation or impairment (if applicable).

HMRC Her Majesty's Revenue and Customs

Housing Revenue Account (HRA) The HRA is used to record the financial transactions involved with the provision of council housing (the 'landlord' function). The HRA is governed by the Local Government and Housing Act 1989, as amended and supplemented. The HRA is kept separate from the Council's other accounts (ring-fenced) and is required to be self-financing.

HRA Self-financing From the 1 April 2012 HRA self-financing replaced the Housing Subsidy system for all housing authorities. The Council has a 30 year business plan which includes financing and repayment of debt taken on to make a one-off payment to the Government.

IAS International Accounting Standard

IFRIC International Financial Reporting Interpretations Committee

IFRS International Financial Reporting Standards

Impairment Loss A significant decline in the value of an asset that is specific to that asset.

Infrastructure Assets Assets that form the fabric of the land and provide a valuable service, such as land drainage channels, footpaths and roads.

Intangible Asset These assets lack physical substance and represent purchased software and software licences.

Inventories Inventories is the value of consumable items which were unused at the end of the financial year. This includes paper etc from the internal print unit and canteen supplies.

Investment Property An asset that is used solely to earn rentals or for capital appreciation or both. For example, the Council-owned industrial estates.

Liability An obligation to transfer economic benefits (usually money) as a result of past transactions eg the purchase of services from a supplier will generate a liability to pay that supplier for those services.

Local Enterprise Partnership (LEP) Voluntary partnership between Local Authorities and businesses to help determine local economic priorities and lead economic growth and job creation.

Long Term Investments Investments held for more than a year.

Major Repairs Reserve controls the capital resources and transactions required to be used on HRA assets.

Market Value This is generally applied to the valuation of non-current assets. It is the value that could be achieved if the asset were offered for sale with no restrictions that could affect its value.

Material/Materiality Materiality relates to the significance of transactions, balances and errors. Financial information is material if its omission or misstatement could influence the users of the accounts.

Minimum Lease Payments Those lease payments that the authority is, or can be required to make.

Net The term 'net' is used where income for a service has been taken into account (ie offset against expenditure) thus reducing the total cost of that service.

Net Book Value (NBV) The purchase value or revalued value of an asset less any depreciation that has been applied to that asset since its purchase or revaluation.

Net Current Replacement Cost Gross current replacement cost reduced to reflect obsolescence and environmental factors.

Net Realisable Value The existing use value of the (non-current) asset less any additional costs likely to be incurred in getting the assets into the ownership of the customer.

National Non Domestic Rates (NNDR) more commonly called Business Rates.

Non-Current Assets Tangible and Intangible assets that yield benefits to the Council, its customers & services provided, for a period of more than one year.

Non-distributed Costs This mainly relates to retirement benefits for former employees and charges in relation to non-operational assets.

Outturn Total actual income and expenditure in the financial year.

Payments in Advance (PIA) payments made for goods or services that will not be received until the next financial year.

Precept A levy made by an authority for whom the billing authority (Waverley) collects Council Tax.

Preceptor The Council's preceptors are Surrey County Council, the Police and Crime Commissioner for Surrey and the Town and Parish Councils.

Property, Plant and Equipment (PPE) Assets held, occupied, used or consumed by the Council in the direct delivery of those services for which it has either a statutory or a discretionary responsibility. For example, Waverley's leisure centres.

Provisions An amount set aside from revenue for a known liability of uncertain timing or amount.

Prudence An accounting principle which ensures caution is exercised in estimates and in the adoption of policies.

PWLB Public Works Loan Board

Receipts in Advance (RIA) These are payments that are received from debtors in advance of the start of the financial year to which they relate.

Remuneration Amounts paid to an employee for work carried out.

Revenue Expenditure Funded from Capital Under Statute (REFFCUS) Expenditure incurred during the year that may be capitalised under statutory provision but does not result in the creation of a Waverley owned non-current asset.

Revaluation Loss A decline in the value of an asset due to a fall in prices across the board.

Revaluation Reserve This reserve is built up from the upward revaluations of individual assets. An asset should not have a negative revaluation balance, no matter how much the Reserve overall might be in surplus.

Revenue Expenditure Day-to-day expenditure on the running of services. Includes staff costs, contracted services, electrical, water and gas charges, rent and business rates.

RICS Royal Institute of Chartered Surveyors

RPI Retail Prices Index

Revenue Reserve Fund (RRF) General Fund Reserve used for financing capital expenditure and supporting revenue.

SeRCOP Service Reporting Code of Practice

Section 106 (S106) Agreements with land owners and/or developers restricting the development or use of land, and/or specifying the activities to be carried out on it and/or the payment of a contribution to make development proposals acceptable.

Short Term Investments Investments held for less than a year.

Surplus A surplus will be generated where income exceeds expenditure. In some cases, a surplus will be transferred to an appropriate reserve.

Transaction costs Are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument (financial asset or financial liability). An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

VAT Value Added Tax

Yields The earnings generated and realized on an investment over a period of time.

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Changes to Unaudited Accounts 2019/2020 following Audit

Page no	Note	Adjustment
Changes to Non Current Asset valuations		
49	11.	Adjustment of valuations for leisure centres to reflect change in underlying assumptions of useful lives. Overall change £10,250k increase. This also required an adjustment to the depreciation charge in the year for the leisure centres. These changes filter through the Statements and associated disclosure notes.
53	16.	Correction to valuation of Investment Property to agree with valuation report (250k increase) These changes filter through the Statements and associated disclosure notes.
Changes reported previously		
7 Narrative Report		Under Financial Statements the paragraph has been amended to say: The statement of accounts is subject to external audit scrutiny and opinion. This Narrative Report and the Annual Governance Statement, whilst outside the scope of this certification, are considered by the external auditors to confirm in their opinion they are materially consistent with their knowledge of the Council.
20 Accounting policies	1.1 1.2	Statement added to say accounts prepared on a going concern basis of accounting. Extra bullet point added under 'Accruals of Income and Expenditure' as per audit suggestion. • Revenue from council tax and business rates is measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.
44	7.	EFA Expenditure and Income analysis amended for revised analysis
49	11.	Classification of loss in asset valuation for leisure centres changed from 'Impairment Loss' to 'Revaluation Loss' to reflect the precedence of revaluation loss over impairment. Supporting notes updated to reflect change. There is no impact on accounting treatment.
49	11.	Loss in valuation of Council Dwellings reclassified as a

83	HRA 1.	Revaluation Loss rather than an Impairment Loss, in 2018/2019 and 2019/2020, to reflect the precedence of revaluation loss over impairment. Supporting notes updated to reflect change. There is no impact on accounting treatment.
49 62 83 85	11. 25. HRA 1. HRA 2.	Indexation of 1.95%, as per the Nationwide indices, was applied to the HRA Dwelling Stock. This amounted to an increase in value of £8,221k. A further adjustment was made to reflect the need to reverse £463k of this £8,221k through the Comprehensive Income and Expenditure Account to allow for reversal of previous downward revaluations. This then increases the vacant possession value.