

# Annual Financial Report 2015-2016

**Graeme Clark** CPFA  
Director of Finance and Resources



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# Waverley Borough Council - Information & Statistics

Telephone: 01483 523333  
Website: [www.waverley.gov.uk](http://www.waverley.gov.uk)

## General Statistics

Area in hectares: 34,447  
Population (2011 Census): 121,600

Area in Square Miles: 133  
Population per Hectare: 3.53

## Council Offices

### Main Waverley Offices:

Council Offices, The Burys, Godalming, Surrey, GU7 1HR

### Cranleigh Locality Office:

Village Way, Cranleigh, Surrey, GU6 8AE

### Farnham Locality Office:

South Street, Farnham, Surrey, GU9 7RN

### Haslemere Locality Office:

Lion Green, Haslemere, Surrey, GU27 1LD

## Councillors in 2015/2016

Waverley Borough Council has 57 elected Councillors.

For 2015/2016 the Council consisted of 53 Conservative, 3 Farnham Residents and 1 Independent Councillor. Councillors were elected to serve a term of four years, to end in May 2019.

Leader	Cllr R Knowles
Deputy Leader	Cllr J Potts

The Council is led by an Executive, comprising of the Leader of the Council and nine other Councillors, all from the majority political party. The Executive's responsibilities are divided into ten portfolios with each Member leading on a specific group of policy issues. The Executive has to make decisions that are in line with the Council's overall policies and budget. If the Executive wish to make a major decision that is outside the budget or policy framework, this must be referred to the Council as a whole to decide.

## Portfolio Holders in 2015/2016:

Policy & Governance and Strategic HR Portfolio	Cllr R Knowles
Major Projects, LEP, WTS & Culture Portfolio	Cllr J Potts
Customer and Corporate Services Portfolio	Cllr T Martin
Planning Portfolio	Cllr B Adams
Housing and Youth & Young People Portfolio	Cllr C King
Finance Portfolio	Cllr W Ramsdale
Environment Portfolio	Cllr S Thornton
Leisure & Culture Portfolio	Cllr S Stennett*
Communications and Grants Portfolio	Cllr S Reynolds
Operational Services & Environmental Health Portfolio	Cllr K Deanus

\*Please note, Cllr Stewart Stennett resigned from his Executive position on 5 August 2015.

## **Corporate Management Team members in 2015/2016**

Executive Director	Paul Wenham
Director of Finance & Resources and Section 151 Officer	Graeme Clark
Director of Operations	Damian Roberts

## **External Auditors in 2015/2016**

Grant Thornton UK LLP  
Engagement Lead: Iain Murray  
Manager: Sophia Brown

Address: Grant Thornton  
Grant Thornton House  
Melton Street  
Euston Square  
London  
NW1 2EP

# Narrative Report to the Statement of Accounts 2015/2016

## 1. Introduction

Waverley's finances are complex and Waverley is required by law to include a large amount of detail and to present much of this in a prescribed format. Every effort has been made to make this report as understandable as possible. In accordance with Waverley's commitment to openness, this Narrative Report to the Statement of Accounts presents an overview of Waverley's accounts for the financial year 1 April 2015 to 31 March 2016 and aims to help readers understand the most significant issues reported in the accounts and how they relate to the Council's overall business.

## 2. Overview

During 2015/2016 the economic climate continued to affect Waverley's services with growth in service demands and income levels in some key areas such as land charges, planning and car parks. Through robust monitoring processes throughout the year, overall spending was contained within budgets. The specific nature of the waste and recycling expenditure and income budgets led to a net overspend but this was offset by positive car park income following a review of charges by the Council implemented in January 2016. Relatively low and stable inflation helped to contain costs although interest rates also remained low, leading to correspondingly low percentage rate returns on investments, although budgeted interest income was exceeded. Collection rates on key income sources, council tax, business rates and rents, performed well against challenging targets.

Waverley's capital spending for the year was £15.9million against a budget of £22.4million which had an emphasis on invest-to-save schemes and a substantial housing improvement programme. Economic conditions impacted on capital spend with high construction inflation and challenging procurement conditions in a strong market. As a consequence of these factors plus specific unexpected site issues, the new house building capital programme spent significantly less than the original budget.

The borrowing of £187million, taken out in March 2012, relates to the Housing Revenue Account. The majority of the borrowing is from the Public Works Loan Board and was required as part of the transition to the new self-financing framework. This borrowing is all at fixed interest rates and covers original maturity periods ranging from 6 to 28 years. Waverley is restricted in its ability to borrow additional housing money for housing purposes by a legal cap and its policy for General Fund borrowing is to only do so where there is a strong business case supported by a revenue stream arising from the borrowing.

## 3. Commentary on the Main Financial Statements for 2015/2016

This section provides a brief commentary on the main accounting statements and highlights the reasons for the major changes from the previous year. There are specific disclosure notes expanding on many of the figures included in these financial statements.

Waverley's Statement of Accounts for 2015/2016 has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/2016, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), and supported by International Financial Reporting Standards (IFRS).

It is the main financial statements (which are set out below), disclosure notes and accounting policies which form the body of the statement of accounts which are subject to

external audit scrutiny and opinion, and to which the statement of responsibilities refers. The Narrative Report, Annual Governance Statement and Glossary lay outside the scope of such certification.

The financial statements have been prepared on a Group basis to incorporate the accounts of the Shottermill Recreation Ground Trust and the Ewart Bequest to reflect the stewardship responsibility the Council has over these charitable funds.

The Shottermill Recreation Ground Trust owns the Haslemere Leisure Centre and the Council is the sole trustee. The management of this centre is included in the Council's borough-wide contract with Places for People.

The Ewart Bequest owns a small number of dwellings in Farnham that the Council manages and maintains.

### **(A) Changes in Accounting Estimates**

The Code of Practice for 2015/2016 introduced a change in accounting estimate due to a change in the definition of fair value (International Financial Reporting Standard (IFRS) 13 Fair Value Measurement). As described in the Accounting Policies 1.20 on page 37, surplus assets are required to be valued at fair value from 2015/2016. Surplus Assets on the Balance Sheet comprise the Brightwells development site. This change in accounting estimate has meant that the accounting value of this site increased from £354,000 in 2014/2015, valued under the previous requirement of Existing Use Value prior to becoming a surplus asset, to £2.5million. This scheme is scheduled to be progressed in 2016/2017 so the basis of valuation will need to be reviewed again in next year's accounts.

### **(B) The Core Financial Statements**

#### **The Movement in Reserves Statement (page 12)**

This statement shows movement in the year on the different reserves held by the Council, analysed into usable reserves (ie those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amount required to be charged to the General Fund balance for council tax setting purposes and the Housing Revenue Account for dwelling rent setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council. A transfer from the Revenue Reserve Fund was made to leave the General Fund balance at the approved minimum level set out in the Financial Strategy.

The **Comprehensive Income and Expenditure Statement (CIES)** (page 14) has two parts.

The first part, the *Surplus or Deficit on the Provision of Services*, shows the accounting cost of providing services during the year in terms of the resources generated, consumed or set aside. These figures are specified in accordance with relevant International Financial Reporting Standards. They do not represent the amount to be funded from local taxation. Charges against council tax are specified in regulations which differ from accounting standards. The charge against council tax is shown in the movement in reserves statement.

The second part, *Other Comprehensive Income and Expenditure*, includes other recognised gains and losses during the year due to asset and liability changes rather than economic performance.

Together, these figures combined show the movement during the year in the Council's total Balance Sheet value which is analysed in the Movement in Reserves Statement between usable and non-usable reserves.

#### *Surplus or Deficit on the Provision of Services (page 15)*

In 2015/2016 the CIES shows a £35.1million surplus, compared to the 2014/2015 surplus of £29.5million, the main differences are shown below:

- Sale of Council assets and rights of way over land generated a gain on disposal of £2.6million compared to £41,000 in 2014/2015 (this was mainly from Right to Buy sales – see Capital Receipts on page 4)
- The 2014/2015 surplus included the cost of refurbishment of Haslemere Leisure Centre at a cost of £3.8million (an asset of the Shottermill Recreation Ground Trust)

#### *Other comprehensive income and expenditure*

- *Pensions liability*

Net pension liabilities are reported under the International Accounting Standard (IAS) 19 reporting standard which sets out how balance sheet entries and charges to the income and expenditure account are to be recognised. The net liability is the difference between the Council's share of the pension fund assets and the underlying commitment, based on actuarial assessment, which the Council has to fund for future retirement benefits.

Pension fund assets are subject to fluctuations in value depending on the current state of the stock market and other investment markets as well as actuarial assumptions. The net result is that the shortfall on the Fund decreased from £51.9million to £46.0million.

- *Revaluations*

Waverley's assets have shown improvements in value according to market conditions and the revaluation programme. Upward valuations of assets are generally credited to the Revaluation Reserve where they are held to offset any future falls in value. However any upward revaluations that reverse a previous loss put through the Comprehensive Income and Expenditure Statement can also be taken through the Comprehensive Income and Expenditure Statement (as has been done with the upward revaluation of the dwelling stock).

Upward revaluations of £4.8million and valuation decreases of £0.3million netting to £4.5million have been recognised in the Revaluation Reserve rather than through the surplus/deficit on the provision of services. Balances on the Revaluation Reserve are asset specific so, although the balance on the Revaluation Reserve is £26.6million, not all downward revaluations or impairments can be charged there.

The **Balance Sheet** (page 16) shows the value as at the balance sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held. Reserves are reported in two categories. The first category is usable reserves, ie those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and to any statutory limitations on their use, eg the capital receipts reserve may only be used to fund capital expenditure or repay debt.

The second category of reserves is unusable reserves that the Council is not able to use to provide services. They hold:

- the unrealised gains and losses recognised in Other Comprehensive Income and Expenditure where the amounts would only become available to provide services if the assets were sold.
- the required adjustments between the accounting basis and the funding basis, under regulations for charges made within the Comprehensive Income and Expenditure Statement, relating to non-current assets and pensions.

Usable reserves have increased by £5.6million. This is due to delays in delivering housing capital works including a transfer to housing reserves of £1.8million for affordable housing and stock improvement, capital receipts of £2.4million and other movements of £1.4million. The balance on unusable reserves has also increased by £40.8million, due mainly to the movement on non-current assets.

#### *Usable reserves*

The Council had usable reserves of £53.3million at the year-end comprising £17.2million for the General Fund and £36.1million for the Housing Revenue Account (see note 29. Page 67). Usable reserves include:

- Earmarked Reserves - these are set aside for specific purposes to meet items of future expenditure, the main ones being:

##### General Fund

- Revenue Grants – where funding has been received for specific purposes but not spent (£1.4million still to spend)
- Asset development (£3.3million)
- Financing of capital expenditure (£1.5million)

##### Housing Revenue Account

- New Affordable Housing Reserve (£7.4million)
- Stock Improvement Reserve (£8.0million)

- Capital grants unapplied reserve - this is the balance of capital grants and contributions received where the expenditure is yet to be incurred. When the expenditure is incurred the grant will be applied to offset it.
- Capital receipts – the General Fund has receipts of £2.0million and the Housing Revenue Account £14.5million. Capital Receipts increased by £2.4million, this was due to gross receipts of £3.8million, of which £2.9million were from Right to Buy sales of council dwellings, £0.6million of open market sales and £0.3million other minor sales. £0.9million was paid to the Government and £0.5million was used to finance capital spend in the year.



### *Changes in assets and liabilities*

- Non-Current assets - the increase in asset values is mainly due to the increased valuation of the Council Dwelling stock. Other land assets have also increased in value according to market conditions.
- Short-term investments and cash & cash equivalents

Short-term investments increased by £2.5million. However, Cash and Cash Equivalents dropped by £1.0million. Investments are classified according to how easily they can be converted into cash. The movement between Short-term investments and cash & cash equivalents was due to treasury management decisions to try and maximise returns. Taken together there has been an increase of £1.5million during the year.

The **Cash-flow Statement** (page 17) shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash-flows as operating, investing and financing activities. The amount of net cash-flows arising from operating activities indicates the extent to which the operations of the Council have been funded by way of taxation, grant income or other fees charged by the Council to the recipients of its services. 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.

Cash arising from ongoing operations was temporarily invested in the money markets. Cash balances across the Council rose by £1.5million as detailed above.

### **(C) The Supplementary Statements**

The **Housing Revenue Account (HRA)** (page 94) shows in detail the income and expenditure on the Council's housing landlord function included in the Comprehensive Income and Expenditure Statement.

The **Collection Fund** (page 103) reflects the statutory requirement to collect and redistribute revenue on behalf of other bodies. It shows the transactions in relation to Business Rates and Council Tax, and illustrates the way in which these have been distributed to preceptors, the Government and the Council's General Fund.

## **4. Financial Performance during the Year**

During 2015/2016 net spending was managed within budgets.

### **General Fund**

High Council Tax and Business Rate collection levels were maintained and the Council reported a broadly neutral position from the year's budgeted General Fund revenue activities. The main movements against budget in the year were:

- Additional net land charges income received £102,000
- Increased costs due to Development Control activity £100,000
- Additional car park income of £336,000
- Increased spend on Waste Recycling against reduced recycling credits of £218,000

## Housing Revenue Account

Despite constantly changing service demands, the Housing Revenue Account achieved an overall underspend and added £214,000 to balances. This reflects successful management of a net budget of £14million.

### i) Waverley's Performance

Waverley measures and publishes its performance in a number of ways including:

- Using a set of 56 key performance indicators which cover many of the Council's key services. The final figures for the 2015/2016 year were reported to the Overview and Scrutiny Committees in June 2016. A link to these reports is below:

<https://modgov.waverley.gov.uk/ieDocHome.aspx?bcr=1>

These indicators show positive performance across most areas including processing planning applications, visits to leisure centres and number of homeless household in temporary accommodation. Indicators that show performance falling short of target in the year include recycling rate achieved and business rates collection.

- Delivery of Service Plan actions was reported to Overview and Scrutiny Committee in June 2016. These reports show that Waverley has achieved nearly all of the service actions that the Council agreed at the beginning of the year. The Service Plans are detailed documents that underpin the Council's overall Corporate Plan and they set out what is to be achieved during each year at a detailed level. A link to these reports is below:

<https://modgov.waverley.gov.uk/ieDocHome.aspx?bcr=1>

- Delivery of Corporate Plan objectives are reported to Council each year. The report in February 2016 showed a high level of achievement in the Corporate Plan period. A link to these reports is below:

<https://modgov.waverley.gov.uk/ieListDocuments.aspx?CIId=171&MIId=611&Ver=4>

Waverley managed its cashflow effectively during the financial year, monitoring its main items of expenditure such as pay and contract costs to match income flow, and it achieved its target of having an average daily cash balance of less than £25,000 each month. Whilst overall cashflow was relatively stable and predictable, the new affordable homes build programme resulted in some large capital outlays during the year. Moving forward, there are a number of factors that will affect future cash flows including the Government's imposed 1% rent cut for council tenants, the significant reduction in revenue support grant and the increase in car park revenues. As the Brightwells regeneration scheme progresses this will also generate a substantial capital receipt in 2016/2017.

### ii) The Council's Key Strengths and Resources

Waverley has an excellent record of sound financial management which is endorsed by its external auditors. Waverley has a sound medium term financial strategy which sets out the financial pressures and opportunities in the next few years. The Council's Audit Committee provides scrutiny of Waverley's financial governance and management of risk. Waverley employs approximately 450 staff (including full time and part time) with a salary budget of £15million. Careful monitoring and management of staff costs has

resulted in a salary saving of £138,000 over target in 2015/2016. Staff turnover is generally low but in recent years some professional service areas have experienced difficulty recruiting and agency spending is temporarily much higher than historical levels. Waverley has launched a number of initiatives to improve the position.

In the light of continued financial pressure from government cuts and the impact of new legislation Waverley has been focusing on strengthening resilience in its operations and policies including financial and staffing resilience. Policies such as non-dependency on new homes bonus and the invest to save initiative have put the Council in a strong position to withstand the financial challenges it faces in the future.

### iii) Comprehensive Income and Expenditure compared to Budget

<b>Comprehensive Income and Expenditure Statement Headlines 2015/2016</b>	<b>Actual</b>	Accounting entries not in budget (see note 8)	Reserve movements	<b>Adjusted Total</b>	<b>Budget</b>
	£'000	£'000	£'000	£'000	£'000
<b>Group Net Cost of Services (page 14)</b>	(23,252)	30,851	(1,537)	6,062	
Less Group Transactions	(201)			(201)	
<b>Single Entity Net Cost of Services</b>	(23,453)	30,851	(1,537)	5,861	6,321
<b>Other Operating Expenditure</b>					
Precepts of Parish/Town Councils	2,578	0		2,578	2,578
Contribution of Housing Capital Receipts to Government Pool	941	(941)		0	0
(Gain)/Loss on disposal of non-current assets	(2,614)	2,614		0	0
<b>Financing and Investment Income and Expenditure</b>					
Interest payable and similar charges	5,659			5,659	5,837
Pension Interest Cost & Expected Return on Pension Assets	1,588	(1,588)		0	0
Interest and Investment Income	(474)			(474)	(465)
Investment Properties	(2,440)	1,754		(686)	(676)
<b>Taxation and Non-Specific Grant Income &amp; Expenditure</b>					
Council Tax income	(11,281)			(11,281)	(11,332)
Non-ringfenced Government grants	(3,479)			(3,479)	(3,328)
Business Rates income and expenditure	(1,962)			(1,962)	(1,818)
Capital grants and contributions	(152)			(152)	(166)
<b>Single Entity (Surplus)/Deficit on Provision of Services (page 15)</b>	<b>(35,089)</b>	<b>32,690</b>	<b>(1,537)</b>	<b>(3,936)</b>	<b>(3,049)</b>
Reserve Movements			3,812	3,812	3,013
<b>Net Movement in working balances (GF and HRA - page 13)</b>				<b>(124)</b>	<b>(36)</b>

#### iv) Housing Revenue Account

Waverley has 4,856 council homes, including a small number of shared ownership properties (approximately 1.2%), which are managed in the Housing Revenue Account (HRA). The HRA includes all the costs and income of managing and maintaining these properties. Nearly all of the income in the HRA comes from rents. 2015/2016 was the fourth year Waverley operated on a self-financing basis under its 30-year Business Plan. The plan includes the financing and repayment of the £187million debt taken on in order to make the required one-off payment to the Government.

#### v) Capital Expenditure

Capital expenditure relates to the costs of large items and projects which generally have a life of more than one year. Waverley has a three-year capital programme covering a wide range of investment in assets. The following table summarises Waverley's capital expenditure in 2015/2016 compared with the budget. The table also shows the capital resources that the Council used to pay for this expenditure. Any expenditure that is part of the Capital Programme but that does not meet the accounting definition of capital has been transferred to revenue.

<b>Capital Expenditure – Headlines 2015/2016</b>	<b>Latest Budget £'000</b>	<b>Capital Actual £'000</b>	<b>Transfer to Revenue £'000</b>	<b>Approved Reschedule £'000</b>
General Fund	3,628	1,111	1,282	989
Housing Revenue Account	8,543	5,227	1,216	800
New Affordable Homes	9,253	6,327	650	1,719
Stock Remodelling	945	0	57	380
<b>Total Expenditure</b>	<b>22,369</b>	<b>12,665</b>	<b>3,205</b>	<b>3,888</b>

<b>Financing of Capital Expenditure 2015/2016</b>	<b>Actual £'000</b>
Grants and Other Contributions	1,357
Major Repairs Reserve	4,453
Capital Receipts	530
Revenue Reserves	6,325
<b>Total Funding</b>	<b>12,665</b>

#### vi) Material Assets Acquired or Liabilities Incurred

During 2015/2016, to enable housing development and address housing provision the Council acquired a number of properties the most notable being six former police houses in Farnham for £1.4million.

There were no material liabilities incurred in 2015/2016.

#### vii) Reserves and Balances

Waverley's reserves and balances reflect a prudent financial position and the Medium-Term Financial Strategy currently indicates that they are adequate to meet financial challenges in the next three years. The pressures on the General Fund and the level of balances will be addressed as part of the Council's review of its Financial Strategy later in 2016.

The following table shows the movement on Waverley's main reserves:

	<b>1 April 2015 £'000</b>	<b>Movement in year £'000</b>	<b>31 March 2016 £'000</b>
General Fund Working Balance	(3,290)	90	(3,200)
Revenue Reserve Fund	(1,918)	394	(1,524)
Housing Revenue Account Working Balances	(2,385)	(214)	(2,599)
New Affordable Housing Reserve	(5,602)	(1,779)	(7,381)
Dwelling Stock Improvement Reserve	(8,130)	91	(8,039)

## 5. The Next Twelve Months

Planned future developments in service delivery including revenue and capital Investment Plans:

- Continue to develop the recycling service to increase collection rates and reduce residual waste
- Review corporate customer service approach and identify options for improvement
- Review recruitment process and agency spending and prepare improvement plan
- Prioritise the Health and Wellbeing agenda and develop services supporting this aim

Key financial challenges for Waverley in the next 12 months and beyond are:

- Identify £1million in budget savings for each of the next three years and maintain service levels
- Deliver the Brightwells regeneration project
- Undertake a comprehensive review of the 30-year housing business plan in the light of the new legislation
- Deliver a range of high profile corporate projects including new leisure facilities, new affordable housebuilding and strategic asset acquisitions

## 6. Further Information

Further information about the Statement of Accounts is available from the Accountancy Section, Council Offices, The Burys, Godalming, GU7 1HR. The accounts are available for inspection by residents of the Borough on dates advertised in the local press each year. On completion of the audit, copies of the Statement of Accounts are available for inspection at any of the Council's offices and on Waverley's website [www.waverley.gov.uk](http://www.waverley.gov.uk). A summary version of the accounts can also be found on Waverley's website.

The Council is keen to continue to improve the presentation of its Statement of Accounts and the views of Waverley's residents and other key stakeholders are sought to help with this review. Please contact the Accountancy Section if you have any questions on any of the information included in Waverley's accounts or any comments on its presentation. If you would like information presented in an alternative format, such as large print or another language, please contact us on 01483 523539 or e-mail the Head of Finance at [peter.vickers@waverley.gov.uk](mailto:peter.vickers@waverley.gov.uk).

**Graeme Clark**  
**Director of Finance and Resources & Section 151 Officer**  
**Dated:**

# 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 Director of Finance and Resources;
- 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 Chief Finance Officer (Section 151 Officer), the Director of Finance and Resources, 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, and
- complied with the Code.

The Chief Finance Officer has also:

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

We declare that the Statement of Accounts for 2015/2016 gives a true and fair view of the financial position of the Council and its income and expenditure for the year ended 31 March 2016.

Graeme Clark  
Director of Finance and Resources &  
Section 151 Officer

Councillor John Gray  
Audit Committee (Chairman)

Dated:

Dated:

## **Financial Statements**

Group Movement in Reserves Statement

Group Comprehensive Income and Expenditure Statement

Group Balance Sheet

Group Cash-Flow Statement

## Group Movement in Reserves Statement 2015/2016

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 reserves. The (Surplus) or Deficit on the provision of services line shows the true economic cost of providing the Council's services, more details of which are shown in Comprehensive Income and Expenditure Statement. These costs are different from the statutory amounts required to be charged to the General Fund Balance and Housing Revenue Account for council tax setting and dwellings rent setting purposes. The 'Net Increase/Decrease before transfers to Earmarked Reserves' line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from Earmarked Reserves.

	Note	Usable Reserves							Capital Grants Unapplied Account	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves	Trust Reserves	Total Group Reserves
		General Fund Balance	Revenue Reserve Fund	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Major Repairs Reserve	Capital Receipts Reserve						
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	See note 29 £'000	See note 30 £'000	£'000	£'000	£'000	
Balance at 31 March 2015		(3,290)	(1,918)	(6,838)	(2,385)	(14,552)	(2,546)	(14,165)	(1,958)	(47,652)	(205,946)	(253,598)	(12,372)	(265,970)
<b>Movement in reserves during 2015/2016</b>														
(Surplus) or Deficit on provision of services		(1,806)			(33,283)					(35,089)		(35,089)	201	(34,888)
Other Comprehensive Income and Expenditure	7									0	(11,767)	(11,767)		(11,767)
<b>Total Comprehensive Income and Expenditure</b>		(1,806)	0	0	(33,283)	0	0	0	0	(35,089)	(11,767)	(46,856)	201	(46,655)
Adjustments between accounting basis and funding basis under regulations	8	(221)			32,911		(1,713)	(2,373)	843	29,447	(29,447)	0		0
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>		(2,027)	0	0	(372)	0	(1,713)	(2,373)	843	(5,642)	(41,214)	(46,856)	201	(46,655)
Transfers (to)/from Earmarked Reserves	9	2,121	394	(2,515)	154	(1,691)	1,537			0		0		0
(Increase)/Decrease in Year		94	394	(2,515)	(218)	(1,691)	(176)	(2,373)	843	(5,642)	(41,214)	(46,856)	201	(46,655)
<b>Balance at 31 March 2016 (carried forward)</b>		<b>(3,196)</b>	<b>(1,524)</b>	<b>(9,353)</b>	<b>(2,603)</b>	<b>(16,243)</b>	<b>(2,722)</b>	<b>(16,538)</b>	<b>(1,115)</b>	<b>(53,294)</b>	<b>(247,160)</b>	<b>(300,454)</b>	<b>(12,171)</b>	<b>(312,625)</b>



## Group Movement in Reserves Statement 2014/2015 - comparative information

	Note	Usable Reserves							Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves	Trust Reserves	Total Group Reserves	
		General Fund Balance	Revenue Reserve Fund	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Major Repairs Reserve	Capital Receipts Reserve						Capital Grants Unapplied Account
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	See note 29 £'000	See note 30 £'000	£'000	£'000	£'000	
Balance at 31 March 2014		(3,361)	(2,486)	(7,383)	(2,345)	(12,036)	(2,334)	(12,751)	(1,396)	(44,092)	(179,638)	(223,730)	(11,322)	(235,052)
<b>Movement in reserves during 2014/2015</b>														
(Surplus) or Deficit on provision of services		2,349			(31,817)					(29,468)		(29,468)	(1,311)	(30,779)
Other Comprehensive Income and Expenditure	7									0	(400)	(400)	261	(139)
<b>Total Comprehensive Income and Expenditure</b>		2,349	0	0	(31,817)	0	0	0	0	(29,468)	(400)	(29,868)	(1,050)	(30,918)
Adjustments between accounting basis and funding basis under regulations	8	(1,165)			29,985		(936)	(1,414)	(562)	25,908	(25,908)	0		0
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>		1,184	0	0	(1,832)	0	(936)	(1,414)	(562)	(3,560)	(26,308)	(29,868)	(1,050)	(30,918)
Transfers (to)/from Earmarked Reserves	9	(1,113)	568	545	1,792	(2,516)	724			0		0		0
(Increase)/Decrease in Year		71	568	545	(40)	(2,516)	(212)	(1,414)	(562)	(3,560)	(26,308)	(29,868)	(1,050)	(30,918)
<b>Balance at 31 March 2015 (carried forward)</b>		<b>(3,290)</b>	<b>(1,918)</b>	<b>(6,838)</b>	<b>(2,385)</b>	<b>(14,552)</b>	<b>(2,546)</b>	<b>(14,165)</b>	<b>(1,958)</b>	<b>(47,652)</b>	<b>(205,946)</b>	<b>(253,598)</b>	<b>(12,372)</b>	<b>(265,970)</b>

## Group Comprehensive Income and Expenditure Statement (CIES)

The 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. Authorities raise taxation to cover expenditure in accordance with regulations, this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2014/2015			2015/2016			
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
<b>Continuing Operations</b>						
2,297	(1,098)	1,199	Central Services to the Public	2,422	(1,238)	1,184
8,037	(1,873)	6,164	Cultural and Related Services	4,739	(1,399)	3,340
6,699	(2,064)	4,635	Environmental & Regulatory Services	6,985	(1,957)	5,028
6,638	(4,328)	2,310	Planning Services	7,252	(4,244)	3,008
1,622	(4,208)	(2,586)	Highways and Transport Services	1,704	(4,307)	(2,603)
16,145	(29,088)	(12,943)	Housing Revenue Account (p94)	20,015	(30,034)	(10,019)
(25,950)	0	(25,950)	HRA Dwelling stock upward revaluation reversing previous loss *	(27,979)		(27,979)
33,029	(32,071)	958	Other Housing Services	33,914	(32,722)	1,192
928	(683)	245	Adult Social Care	936	(681)	255
2,667	(129)	2,538	Corporate and Democratic Core	2,832	(116)	2,716
705		705	Non-Distributed Costs	626		626
<b>52,817</b>	<b>(75,542)</b>	<b>(22,725)</b>	<b>Net Cost of Services</b>	<b>53,446</b>	<b>(76,698)</b>	<b>(23,252)</b>
<b>Other Operating Expenditure</b>						
		2,488	Precepts of Parish/Town Councils			2,578
		515	Contribution of Housing Capital Receipts to Government Pool			941
		(41)	(Gain)/Loss on disposal of non- current assets			(2,614)
<b>Financing and Investment Income and Expenditure</b>						
		5,657	Interest payable and similar charges			5,659
		1,906	Pension Interest Cost & Expected Return on Pension Assets			1,588
		(376)	Interest and Investment Income			(474)
		(467)	Investment Properties (note 17)			(2,440)
<b>Taxation and Non-Specific Grant Income &amp; Expenditure (note 10)</b>						
		(11,132)	Council Tax income			(11,281)
		(3,703)	Non-ringfenced Government grants			(3,479)
		(2,193)	Business Rates income and expenditure			(1,962)
		(708)	Capital grants and contributions			(152)
		<b>(30,779)</b>	<b>(Surplus)/Deficit on Provision of Services</b>			<b>(34,888)</b>
		(3,450)	(Surplus)/Deficit on revaluation of non-current assets			(4,540)
		3,311	Remeasurement on Pension Fund Assets & Liabilities			(7,227)
		<b>(139)</b>	<b>Other Comprehensive Income and Expenditure (note 7)</b>			<b>(11,767)</b>
		<b>(30,918)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(46,655)</b>

\* See HRA page 94

For notes on the CIES see notes 7 and 10

## 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.

<b>2014/2015</b>		<b>2015/2016</b>
<b>£'000</b>		<b>£'000</b>
(30,779)	Net (surplus)/deficit for the year on the Group Comprehensive Income and Expenditure Statement	(34,888)
	Surplus/(Deficit) in the Group Comprehensive Income and Expenditure Statement attributable to group entities (adjusted for intra-group transactions):	
	<b>Subsidiaries:</b>	
	Net Movement in Funds	
1,111	Shottermill Recreation Ground (included in Cultural and Related Services)	(245)
200	Ewart Bequest (included in Other Housing Services)	44
<b>(29,468)</b>	<b>(Surplus)/Deficit for the year on the Single Entity Comprehensive Income and Expenditure Statement</b>	<b>(35,089)</b>

## Group Balance Sheet as at 31 March 2016

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 (see note 29). 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 30).

31 March 2015		31 March 2016		
Group £'000	Note	Single Entity £'000	Subsidiaries £'000	Group £'000
<b>Property, Plant and Equipment</b>				
350,254	11	377,665		377,665
88,096		79,785	10,546	90,331
3,620		3,274	285	3,559
584		545		545
364		364		364
354		2,500		2,500
4,259		6,388		6,388
<b>447,531</b>		<b>470,521</b>	<b>10,831</b>	<b>481,352</b>
1,193	18	1,224		1,224
13,507	17	14,667		14,667
458		439		439
3,034	22	1		1
38		29		29
<b>465,761</b>		<b>486,881</b>	<b>10,831</b>	<b>497,712</b>
<b>Current Assets</b>				
33,101	22	35,595		35,595
9		6		6
6,006	26	8,936	12	8,948
15,141	27	12,810	1,344	14,154
<b>54,257</b>		<b>57,347</b>	<b>1,356</b>	<b>58,703</b>
<b>520,018</b>		<b>544,228</b>	<b>12,187</b>	<b>556,415</b>
<b>Current Liabilities</b>				
(1,639)	22	(74)		(74)
(12,325)	28	(9,391)	(16)	(9,407)
(427)	44	(860)		(860)
<b>(14,391)</b>		<b>(10,325)</b>	<b>(16)</b>	<b>(10,341)</b>
<b>Long-Term Liabilities</b>				
(187,035)	22	(187,035)		(187,035)
(51,886)	43	(46,021)		(46,021)
(736)	40	(393)		(393)
<b>(239,657)</b>		<b>(233,449)</b>	<b>0</b>	<b>(233,449)</b>
<b>265,970</b>		<b>300,454</b>	<b>12,171</b>	<b>312,625</b>
<b>Financed by:</b>				
(48,914)	29	(53,294)	(1,340)	(54,634)
(217,056)	30	(247,160)	(10,831)	(257,991)
<b>(265,970)</b>		<b>(300,454)</b>	<b>(12,171)</b>	<b>(312,625)</b>

## 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 lenders to the Council.

2014/2015			2015/2016		
£'000		Note	Single Entity £'000	Group Activities £'000	Group Total £'000
<b>(30,779)</b>	<b>Net (Surplus)/Deficit on the Provision of Services *</b>		<b>(35,089)</b>	<b>201</b>	<b>(34,888)</b>
13,605	Adjustments to net surplus or deficit on the provision of services for non-cash movements	31	20,077	(263)	19,814
3,010	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	31	4,994		4,994
<b>(14,164)</b>	<b>Net Cash-flows from Operating Activities</b>	35	<b>(10,018)</b>	<b>(62)</b>	<b>(10,080)</b>
20,538	<b>Investing Activities</b>	33	7,358		7,358
(2,139)	<b>Financing Activities</b>	34	3,709		3,709
<b>4,235</b>	<b>Net (increase)/decrease in Cash and Cash Equivalents</b>		<b>1,049</b>	<b>(62)</b>	<b>987</b>
19,376	Cash and Cash Equivalents at the beginning of the reporting period		13,859	1,282	15,141
15,141	Cash and Cash Equivalents at the end of the reporting period	27	12,810	1,344	14,154
<b>(4,235)</b>	<b>Movement in Cash increase/(decrease)</b>		<b>(1,049)</b>	<b>62</b>	<b>(987)</b>

\* See Group Comprehensive Income and Expenditure Statement page 14.

For notes on the Group Cash-Flow Statement see notes 31-35.



## 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 2015/2016 financial year and its position at the year-end on 31 March 2016. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, those Regulations require the Statement 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 2015/2016 (the Code) and the Service Reporting Code of Practice 2015/2016, supported by International Financial Reporting Standards (IFRS).

The Group Accounts consolidate the accounts of The Shottermill Recreation Ground Trust and the Ewart Bequest (see 1.25). The accounts for these Trusts are prepared in accordance with The Charities Act 2015, and application regulations.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by 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 the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser, and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from non-exchange transactions shall be recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the Council, and the amount of the revenue can be measured reliably.
- 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 has been recognised but cash not received a debtor for the relevant amount is recorded in 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.
- Where expenditure has been recognised, but cash has not been paid, a creditor for the relevant amount is recorded in the Balance Sheet. For 2015/2016 the de minimis for the accrual of a single item of expenditure was £500.
- 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 Accounting for Council Tax**

While the Council Tax income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the Council's General Fund, or paid out from the Collection Fund to the major preceptors. The amount credited to the General Fund under statute is the Council's precept or demand for the year, plus or minus the Council's share of the surplus/deficit on the Collection Fund for the previous year.

The Council Tax income included in the Comprehensive Income and Expenditure Statement for the year is the Council's share of the Collection Fund's accrued income for the year. The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement on the General Fund Balance. Income relating to Council Tax shall be 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.

The cash collected by the Council from Council Tax payers belongs proportionately to all the major preceptors. The Council as billing authority recognises a creditor in its Balance Sheet for cash collected from taxpayers on behalf of major preceptors but not yet paid to them, or a debtor for cash paid to major preceptors in advance of it receiving the cash from Council Tax payers.

### **1.4 Accounting for Business Rates**

While the Business Rates income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and paid out to major preceptors and the Government. The

amount credited to the General Fund under statute is the Council's estimated share of Business Rates for the year.

The Business Rates income included in the Comprehensive Income and Expenditure Statement for the year is the Council's actual share of the Collection Fund's accrued income for the year. The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement on the General Fund Balance. Income relating to Business Rates shall be 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.

The cash collected by the Council from Business Rate payers belongs proportionately to the Government, Waverley and Surrey County Council. The Council as billing authority recognises a creditor in its Balance Sheet for cash collected from businesses on behalf of major preceptors but not yet paid to them, or a debtor for cash paid to major preceptors in advance of it receiving the cash from Business Rate payers.

## **1.5 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.

## **1.6 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.

## 1.7 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. However, for the General Fund it 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. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

## 1.8 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.

The Code requires that a calculation is made for the notional cost of holiday entitlements earned by employees but not taken before the financial year-end which employees could, in theory, carry forward into the next financial year. If the sum is material, an accrual is made based on the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the surplus or deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

### Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. These are charged on an accruals basis to the appropriate service, or where applicable, to the Non Distributed Costs line 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. 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 County Council pension scheme 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 3.4% in 2015/2016
- 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 Non-Distributed Costs. 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.

## **1.9 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.

## **1.10 Financial Instruments**

### **Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. 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 in 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.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

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

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments. The Council does not hold any of this type of asset.

### Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the Council, this effectively means that the 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 in the Balance Sheet, rather than treated as a debtor.

Where assets are identified as impaired, because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

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.

### 1.11 Government Grants and Contributions

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

- the Council will comply with the conditions attached to the payments, and
- the 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 in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

Grants to cover general expenditure, eg Revenue Support Grant, Business Rate distribution, Local Services Support Grant are non-ringfenced and are credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

## 1.12 Heritage Assets

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

An intangible heritage asset is an intangible asset with cultural, environmental or historical significance. Examples of intangible heritage assets include recordings of significant historical events.

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, environmental or historical associations. Provided that they meet this definition, heritage assets can include historic buildings, civic regalia, museum collections and works of art.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, 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 1.19 page 32 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 1.19 page 34).

**Recognition:** 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. However, some of the



measurement rules are relaxed in relation to heritage assets. Where information on cost or value is not available, and the cost of obtaining the information outweighs the benefits, the Code does not require that the asset is recognised on the Balance Sheet. For heritage assets not recognised on the Balance Sheet appropriate disclosures are made.

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 1.19 on page 35.

### **1.13 Intangible Assets**

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council as a result of past events (eg software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Intangible assets are carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Software is the only intangible asset that Waverley has and this is generally amortised on a five or seven year basis. Any impairment losses are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes amortisation and impairment are not permitted to have an impact on the General Fund Balance and are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

Waverley has set a de minimis level for the recognition of intangible assets of £5,000.

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

The Council, as sole Trustee, has a material interest in the Shottermill Recreation Ground Trust. The Council is therefore required to produce group accounts with the Shottermill Recreation Ground Trust as a subsidiary.

The Group Accounts also include The Ewart Bequest which is considered a subsidiary for the purpose of preparing this Statement of Accounts in accordance with the Code.

In the Council's own single-entity accounts, the interests in companies and other entities are recorded as investments, ie at cost, less any provision for losses.

### **1.15 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 value of works and services received under the contract during the financial year.

### **1.16 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, 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 Estates and Valuation Manager, 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 posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

### **1.17 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**

The Council has no material assets over which it has granted a finance lease.

### **Operating Leases**

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (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.

## **1.18 Overheads and Support Services**

The costs of overheads and support services are charged to those accounts that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2015/2016* (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exceptions of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non-Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net

Expenditure on Continuing Services. The HRA element is charged to the HRA revenue account.

### 1.19 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 set 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:** International Accounting Standard 16 (IAS16) – Property, Plant and Equipment (PPE) contains the accounting requirements for the separate recognition, depreciation and derecognition of parts of assets (referred to as componentisation). Componentisation shall be applied for depreciation purposes on enhancement or acquisition expenditure incurred and revaluations carried out from 1 April 2010.

Components that are required to be depreciated separately are those that have a cost that is significant in relation to the total cost of the asset, a different useful life and method of depreciation.

The Council's policy on componentisation is:

#### General Fund

- Components of an asset will be separated where their value is significant in relation to the total value of the asset and where those components have different useful lives to the remainder of the asset for depreciation purposes.
- Where there is more than one significant component part of the same asset with the same useful life, such component parts will be grouped together for depreciation purposes.
- A component may be an individual item or similar items with similar useful lives grouped.
- Where a component is replaced or restored, the carrying amount of the old component will be derecognised and the new component added. Where the carrying value of the derecognised/replaced component is not known a best estimate will be determined by reference to the current cost.
- Only assets with a gross book value of £1.5million and over will be considered for componentisation.

- Of those assets, for the purpose of determining a 'significant' component of an asset, components with a value of 25% in relation to the overall value of the asset or over £500,000 will be considered and then only if the component has a different useful life for depreciation purposes, so as to result in depreciation charges that differ materially from the depreciation charges had the asset not been componentised.
- On componentisation, any Revaluation Reserve balances will remain with the structure of the building. Any future revaluation gains and losses will be applied across components as appropriate.

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

- Dwelling stock - depreciation is based on the major repairs allowance.
- Other HRA assets – the approach outlined above for the General Fund will be followed.

**Measurement:** Assets are initially measured at cost, comprising:

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

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

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.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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 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.

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

Council Dwellings and land and buildings were valued in accordance with the Royal Institute of Chartered Surveyors (RICS) Statement of Asset Valuation Practice and Guidance Notes (Red Book) as supplemented by the Manual of Valuation (White Book) by the Council's Estates and Valuation Manager.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly, but 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 has been set at £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 – for 2015/2016 depreciation is based on the former Major Repairs Allowance (MRA) calculation (as allowed for a period of five years from the introduction of HRA self-financing in 2012/2013)
- 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 Council Dwellings is normally equal to the transfer to the Major Repairs Reserve (MRR). HRA Depreciation is a charge to the HRA balance, however, a credit is made to the MRR from the Capital Adjustment Account, via the Movement in the HRA Statement, to allow for this amount in the MRR (see HRA note 4. page 101).

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 2015/2016, 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. From 1 April 2010, where an asset has major components with different estimated useful lives, these components will be depreciated separately.

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 receipts relating to Right-to-Buy housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) 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. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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



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

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, 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 and liabilities 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 or liabilities 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 or liability, either directly or indirectly

Level 3 – unobservable inputs for the asset or liability.

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

Where some or all of the payment required to settle a provision is expected to be recovered from another party (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.

There are no material potential settlements outstanding as at 31 March 2016 that would require treating as a provision as described above. However, the Council has made a Collection Fund provision of £860,000 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, therefore there are no material provisions in the 2015/2016 accounts.

**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 in 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 in 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.

## 1.22 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred it is charged to the appropriate service in that year against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated 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.

### 1.23 Revenue Expenditure Funded from Capital under Statute

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

### 1.24 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.

### 1.25 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 Strategy. 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 2016.

The assets of the trust are revalued in line with the accounting policies at 1.19.

**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 2016 are included at pages 108 to 111 for information.

The full charity accounts are subject to audit/review according to audit thresholds. For the 2015/2016 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 or Waverley Borough Council <http://www.charitycommission.gov.uk/index.asp>.

## **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 2015/2016 Code.

For the 2015/2016 accounts there are a number of accounting changes that need to be reported. These relate to:

- Amendments to IAS 19 Employee benefits
- Annual Improvements to IFRSs 2010-2012 Cycle
- Amendment to IFRS 11 Joint Arrangements
- Amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets
- Annual Improvements to IFRSs 2012-2014 Cycle
- Amendment to IAS 1 Presentation of Financial Statements
- Changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis
- Changes to the format of the Fund Account and the Net Assets Statement

The accounting changes required by these standards will not 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 funding for local government. However, 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 lose facilities and reduce levels of service provision.

#### 2. Group Accounts

The Statement of Accounts has been prepared on a Group Accounts basis incorporating the Council's single entity accounts and the accounts of the Trusts (see Accounting Policies on page 39). The statements identify single entity figures and group transactions separately. The notes to the accounts reflect the single entity accounts but have been supplemented to show group transactions where material.

#### 3. VAT Tribunal Disclosure

Following the decision of a VAT Tribunal in 2004/2005, which ruled that car parking provided by Local Authorities was unlikely to be subject to VAT, HM Revenues and Customs (HMRC) issued a business brief which advised Local Authorities of their right to stop accounting for VAT on car parking facilities. The Council took the decision to cease accounting for VAT on its car parking charges. In March 2016 the Council was advised that the courts had ruled conclusively in favour of HMRC and accordingly the Council has now recommenced accounting for VAT on car parking charges. As at 31 March 2016, £6.8million was the amount of VAT that HMRC considered due in respect of the Council's Car Parks and this has been held by the HMRC but was on "appeal" awaiting the final outcome of the case.

With the closure of this case and the withdrawal of these appeals this removes the possibility of the Council recovering the £6.8million from HMRC.

No debtor was included in the accounts and no contingent asset was disclosed in the notes to the accounts for this sum and the money has already been paid to HMRC therefore no further action is necessary in respect of this issue.

### 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 only items in the Council's Balance Sheet at 31 March 2016 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 43 Defined Benefit Pension Schemes on page 86.

#### Bad Debts

The Council has an allowance for estimated Bad Debts (impairment allowance) which covers all major sources of income and expenditure (see note 26 to the accounts). This allowance is considered adequate to cover future Bad 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 (i.e. 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 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.

Although not material, the Council has also made Collection Fund provision of £860,000 for the costs of backdated Business Rates Appeals. (see also Note 44 on page 92)

## 5. Material items of income and expense

The Comprehensive Income and Expenditure Statement does not include any material items not disclosed separately on the face of the statement.

## 6. Events after the Reporting Period

The Statement of Accounts was authorised for issue on 13 September 2016 by Mr Graeme Clark, Director of Finance and Resources 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 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for the following event which took place after 31 March 2016 as it provides information that is relevant to an understanding of the Council's financial position but does not relate to conditions at that date:

- On 24 May 2016 the Council agreed to progress with the Brightwells regeneration scheme on the revised terms. The contract with the developer is anticipated to become unconditional in Autumn 2016 and the Council will then receive a significant capital receipt in excess of £3 million.
- In August 2016 the Council entered into a contract to the value of £2 million for the refurbishment of the Memorial Hall in Farnham.

## 7. Other Comprehensive Income and Expenditure

Other Comprehensive Income and Expenditure is made up of:

2014/2015 £'000		2015/2016 £'000
	(Surplus)/Deficit on revaluation of Property, Plant and Equipment	
(4,454)	- Upward Revaluations of assets (note 30 page 70)	(4,823)
743	- Downward revaluation of assets and impairment losses not charged to the (Surplus)/Deficit on Provision of Services (note 12 page 52)	283
<b>(3,711)</b>		<b>(4,540)</b>
3,311	Remeasurement on Pension Fund Assets and Liabilities (note 43 page 87)	(7,227)
<b>(400)</b>	<b>Total Other Comprehensive Income and Expenditure</b>	<b>(11,767)</b>

## **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 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 or (where in deficit) that is required to be recovered from tenants in future years.

### **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.

<b>Adjustments between accounting basis and funding basis under regulations</b>						
<b>2015/2016</b>	<b>Usable Reserves</b>					<b>Movement in Unusable Reserves £'000</b>
	<b>General Fund Balance £'000</b>	<b>Housing Revenue Account £'000</b>	<b>Major Repairs Reserve £'000</b>	<b>Capital Receipts Reserve £'000</b>	<b>Capital Grants Unapplied £'000</b>	
<b>Adjustments to the Revenue Resources</b>						
<b>Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:</b>						
Pensions costs (transferred to (or from) the Pensions Reserve (see note 43))	(1,074)	(288)				(1,362)
Council Tax and NNDR (transfers to or from Collection Fund)	(1,487)					(1,487)
<b>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):</b>						
Depreciation of Property, Plant and Equipment	(1,050)		(6,166)			(7,216)
Impairment losses & reversals on Property, Plant & Equipment *	(42)	(2,850)				(2,892)
Revaluation losses & reversals on Property, Plant & Equipment	104	27,979				28,083
Movements in the fair value of Investment Properties	1,657	97				1,754
Amortisation of Intangible assets	(110)					(110)
Capital grants and contributions applied	167	422				589
Income in relation to Donated Assets	36					36
Revenue expenditure funded from capital under statute (REFFCUS) **	37				(34)	3
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	0	(1,229)				(1,229)
<b>Total Adjustments to Revenue Resources</b>	<b>(1,762)</b>	<b>24,131</b>	<b>(6,166)</b>	<b>0</b>	<b>(34)</b>	<b>16,169</b>

#### **CIES - Comprehensive Income and Expenditure Statement**

\* Impairments on HRA Non-Dwelling Assets do not get reversed out of the HRA

** Revenue Expenditure Funded from Capital under Statute	(359)
Less Capital Grants and Contributions - applied	362
Grants and Contributions transferred to Capital Grants Unapplied Account	34
	<u>37</u>



<b>Adjustments between accounting basis and funding basis under regulations</b>						
<b>2015/2016</b>	<b>Usable Reserves</b>					<b>Movement in Unusable Reserves £'000</b>
	<b>General Fund Balance £'000</b>	<b>Housing Revenue Account £'000</b>	<b>Major Repairs Reserve £'000</b>	<b>Capital Receipts Reserve £'000</b>	<b>Capital Grants Unapplied £'000</b>	
<b>Adjustments between Revenue and Capital Resources</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	858	2,985		(3,843)		0
Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital Receipts Pool	(941)			941		0
Statutory Provision for the repayment of debt	1,565					1,565
Capital expenditure charged against the General Fund and HRA balances	582	5,743				6,325
Other movements				(1)		(1)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>2,064</b>	<b>8,728</b>	<b>0</b>	<b>(2,903)</b>	<b>0</b>	<b>7,889</b>
<b>Adjustments to Capital Resources</b>						
Use of the Capital Receipts Reserve to finance new capital expenditure				530		530
Use of the Major Repairs Reserve to finance new capital expenditure			4,453			4,453
Capital grants and contributions unapplied credited to the CIES	(523)	52			471	0
Application of grants to capital financing transferred to the Capital Adjustment Account					406	406
<b>Total Adjustments to Capital Resources</b>	<b>(523)</b>	<b>52</b>	<b>4,453</b>	<b>530</b>	<b>877</b>	<b>5,389</b>
<b>Total Adjustments</b>	<b>(221)</b>	<b>32,911</b>	<b>(1,713)</b>	<b>(2,373)</b>	<b>843</b>	<b>29,447</b>

<b>Adjustments between accounting basis and funding basis under regulations</b>						
<b>2014/2015 Comparative figures</b>	<b>Usable Reserves</b>					<b>Movement in Unusable Reserves £'000</b>
	General Fund Balance £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
<b>Adjustments to the Revenue Resources</b>						
<b>Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:</b>						
Pensions costs (transferred to (or from) the Pensions Reserve (see note 43))	(1,054)	(109)				(1,163)
Council Tax and NNDR (transfers to or from Collection Fund)	434					434
<b>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):</b>						
Depreciation of Property, Plant and Equipment	(1,161)		(5,929)			(7,090)
Impairment losses & reversals on Property, Plant & Equipment *	116	(1,053)				(937)
Revaluation losses & reversals on Property, Plant & Equipment		25,950				25,950
Movements in the fair value of Investment Properties	(247)	(16)				(263)
Amortisation of Intangible assets	(121)					(121)
Impairment/Revaluation losses on Intangible assets	(9)					(9)
Capital grants and contributions applied	143					143
Income in relation to Donated Assets	18					18
Revenue expenditure funded from capital under statute (REFFCUS) **	(3,021)					(3,021)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	0	(1,885)				(1,885)
<b>Total Adjustments to Revenue Resources</b>	<b>(4,902)</b>	<b>22,887</b>	<b>(5,929)</b>	<b>0</b>	<b>0</b>	<b>12,056</b>

#### **CIES - Comprehensive Income and Expenditure Statement**

\* Impairments on HRA Non-Dwelling Assets do not get reversed out of the HRA

** Revenue Expenditure Funded from Capital under Statute	(4,064)
Less Capital Grants and Contributions - applied	1,043
	<u>(3,021)</u>

<b>Adjustments between accounting basis and funding basis under regulations</b>						
<b>2014/2015 Comparative figures</b>	<b>Usable Reserves</b>					<b>Movement in Unusable Reserves £'000</b>
	<b>General Fund Balance £'000</b>	<b>Housing Revenue Account £'000</b>	<b>Major Repairs Reserve £'000</b>	<b>Capital Receipts Reserve £'000</b>	<b>Capital Grants Unapplied £'000</b>	
<b>Adjustments between Revenue and Capital Resources</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	16	1,910		(1,926)		0
Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital Receipts Pool	(515)			515		0
Capital expenditure charged against the General Fund and HRA balances	3,671	5,188				8,859
Other movements				(3)		(3)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>3,172</b>	<b>7,098</b>	<b>0</b>	<b>(1,414)</b>	<b>0</b>	<b>8,856</b>
<b>Adjustments to Capital Resources</b>						
Use of the Major Repairs Reserve to finance new capital expenditure			4,993			4,993
Capital grants and contributions unapplied credited to the CIES	565				(565)	0
Application of grants to capital financing transferred to the Capital Adjustment Account					3	3
<b>Total Adjustments to Capital Resources</b>	<b>565</b>	<b>0</b>	<b>4,993</b>	<b>0</b>	<b>(562)</b>	<b>4,996</b>
<b>Total Adjustments</b>	<b>(1,165)</b>	<b>29,985</b>	<b>(936)</b>	<b>(1,414)</b>	<b>(562)</b>	<b>25,908</b>

## 9. Transfers to/from Earmarked and Other Specific Reserves

### Revenue Reserve Fund (RRF)

The RRF is a General Fund Reserve used for financing capital expenditure and supporting revenue.

2014/2015 £'000		2015/2016 £'000
(2,486)	<b>Balance at 1 April</b>	(1,918)
3,092	Capital Financing in year	559
(2,685)	Capital Charges contributed from revenue	(2,962)
945	Funding of non-asset generating spend from capital budgets	574
(451)	Contribution to/(from) General Fund Balance	175
0	Transfer to Earmarked Reserves	2,000
(333)	Other	48
568	Movement in year	394
<b>(1,918)</b>	<b>Balance at 31 March</b>	<b>(1,524)</b>

### Earmarked Reserves

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

1 April 2015 Balance £'000	Reserve	Net Movement in year £'000	Balance 31 March 2016 £'000	Purpose of Reserve
	<b>General Fund</b>			
(680)	Insurance Reserves	(61)	(741)	For losses/claims which are uninsured
(1,065)	Revenue Grants	(198)	(1,263)	Balance of unspent revenue grants, carried forward to meet future expenditure
(700)	Business Rates Retention Equalisation Reserve	(1,485)	(2,185)	To provide for the exposure to fluctuations in rateable values and deficit timing differences
(2,300)	Asset Development Reserve	300	(2,000)	For future asset development
(1,500)	LEP Borrowing Repayment	1,500	0	To repay borrowing
0	SANG	(1,000)	(1,000)	For site acquisition
(593)	Other	(1,571)	(2,164)	Other small funds
<b>(6,838)</b>	<b>Total</b>	<b>(2,515)</b>	<b>(9,353)</b>	

	Housing Revenue Account			
(5,602)	New Affordable Housing Reserve	(1,779)	(7,381)	Reserves created from surplus generated as a result of HRA self-financing
(8,130)	Dwelling Stock Improvement Reserve	91	(8,039)	
(697)	Uninsured Losses Reserve	53	(644)	
(50)	Mortgage Indemnity Reserve	0	(50)	
(73)	Revenue Grants	(56)	(129)	Balance of unspent revenue grants, carried forward to meet future expenditure
<b>(14,552)</b>	<b>Total</b>	<b>(1,691)</b>	<b>(16,243)</b>	

## 10. Taxation and Non-Specific Grant Income

2014/2015 £'000		2015/2016 £'000
(11,132)	Council Tax income (Waverley Borough Council and Town & Parishes)	(11,281)
(3,703)	Non-ringfenced Government grants *	(3,479)
(2,193)	Business Rates income and expenditure	(1,962)
(708)	Capital grants and contributions (see note 40)	(152)
<b>(17,736)</b>		<b>(16,874)</b>

### \* Non-ringfenced Government Grants

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

2014/2015 £'000		2015/2016 £'000
(2,102)	Revenue Support Grant	(1,574)
(1,389)	New Homes Bonus	(1,668)
(91)	Council Tax Freeze Grant for year	(91)
(121)	Other Revenue Grants	(146)
<b>(3,703)</b>		<b>(3,479)</b>

Revenue Support Grant (RSG) - this is a grant which can be used to finance revenue expenditure on any service. Revenue Support Grant, retained Business Rates (Non-domestic rates income and expenditure), New Homes Bonus, Council Tax Freeze grant and specific grants make up the total level of revenue support the Government provides to local authorities for their core functions.

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.

Council Tax Freeze Grant - is awarded to authorities which held (or reduced) their average Band D council tax at the previous year's level.

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 2015/2016

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Infra-structure £'000	Community Assets £'000	Surplus Assets £'000	Assets under Construction £'000	Total PPE £'000
<b>Cost or Valuation</b>								
At 1 April 2015	357,108	93,848	7,621	1,273	364	519	4,259	464,992
Adjustments between cost/value and depreciation/impairment	(1,083)	(4,321)	(378)					(5,782)
Adjusted 1 April 2015 balance	356,025	89,527	7,243	1,273	364	519	4,259	459,210
Additions/enhancement	9,252	181	422				2,360	12,215
Donations			36					36
Revaluation increases/ (decreases) recognised in the Revaluation Reserve		2,812				1,387		4,199
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	22,208							22,208
Derecognition Disposals	(1,229)							(1,229)
Other Reclassifications	231					594	(231)	594
At 31 March 2016	386,487	92,520	7,701	1,273	364	2,500	6,388	497,233
<b>Depreciation and Impairments</b>								
At 1 April 2015	(6,854)	(5,752)	(4,001)	(689)	0	(165)	0	(17,461)
Adjustments between cost/value and depreciation/impairment	1,083	4,321	378	0	0	0	0	5,782
Adjusted 1 April 2015 balance	(5,771)	(1,431)	(3,623)	(689)	0	(165)	0	(11,679)
Charge for 2015/2016	(5,972)	(980)	(504)	(39)				(7,495)
Depreciation written out to the Revaluation Reserve		428				165		593
Depreciation written out to the Surplus/Deficit on the Provision of Services	5,771							5,771
Impairment (losses)/ reversals recognised in the Revaluation Reserve		(279)	(4)					(283)
Impairment (losses)/ reversals recognised in the Surplus/Deficit on the Provision of Services	(2,850)	73	(11)					(2,788)
At 31 March 2016	(8,822)	(2,189)	(4,142)	(728)	0	0	0	(15,881)
<b>Balance Sheet amount at 31 March 2016</b>	<b>377,665</b>	<b>90,331</b>	<b>3,559</b>	<b>545</b>	<b>364</b>	<b>2,500</b>	<b>6,388</b>	<b>481,352</b>

## Movements in 2014/2015

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Infra-structure £'000	Community Assets £'000	Surplus Assets £'000	Assets under Construction £'000	Total PPE £'000
<b>Cost or Valuation</b>								
At 1 April 2014	328,780	86,282	6,939	1,236	364	1,038	2,641	427,280
Additions/enhancement	9,468	22	363	37			1,618	11,508
Donations		3,312	286					3,598
Transfer from De-minimis Asset Register		138						138
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	74	4,075	33					4,182
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	20,152	144						20,296
Derecognition Disposals	(1,885)							(1,885)
Other Reclassifications	519	(125)				(519)		(125)
At 31 March 2015	357,108	93,848	7,621	1,273	364	519	4,259	464,992
<b>Depreciation and Impairments</b>								
At 1 April 2014	(5,625)	(2,115)	(3,388)	(646)	0	(265)	0	(12,039)
Charge for 2014/2015	(5,771)	(917)	(545)	(43)		(73)		(7,349)
Depreciation written out to the Revaluation Reserve		388						388
Depreciation written out to the Surplus/Deficit on the Provision of Services	5,798							5,798
Impairment (losses)/ reversals recognised in the Revaluation Reserve	(30)	(1,228)						(1,258)
Impairment (losses)/ reversals recognised in the Surplus/Deficit on the Provision of Services	(1,053)	(1,880)	(68)					(3,001)
Other Reclassifications	(173)					173		0
At 31 March 2015	(6,854)	(5,752)	(4,001)	(689)	0	(165)	0	(17,461)
<b>Balance Sheet amount at 31 March 2015</b>	<b>350,254</b>	<b>88,096</b>	<b>3,620</b>	<b>584</b>	<b>364</b>	<b>354</b>	<b>4,259</b>	<b>447,531</b>

## 12. Impairment Losses

The table below shows the impairment losses and impairment reversals charged to the Surplus or Deficit on the Provision of Services, detailed in note 8, and to Other Comprehensive Income and Expenditure note 7. These are consolidated in note 11, which reconciles the movement over the year in Property, Plant and Equipment, together with Intangibles.

	<b>Total Impairments £'000</b>
<b>(Surplus)/ Deficit on Provision of Services</b>	
Council Dwellings	(2,850)
Land and Buildings	73
Vehicles, Plant and Equipment	(11)
<b>Total</b>	<b><u>(2,788)</u></b>
<b>Other Comprehensive Income and Expenditure</b>	
Land and Buildings	(279)
Vehicles, Plant and Equipment	(4)
<b>Total</b>	<b><u>(283)</u></b>

## 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.

	<b>2014/2015 £'000</b>	<b>2015/2016 £'000</b>
<b>Opening Capital Financing Requirement</b>	<b>193,656</b>	<b>194,358</b>
<b>Capital Investment</b>		
Property, Plant and Equipment (1)	11,508	12,215
Intangible Assets	171	91
Revenue Expenditure Funded from Capital under Statute (2)	<u>4,064</u>	<u>359</u>
<b>Total Capital Expenditure</b>	<b>15,743</b>	<b>12,665</b>
<b>Sources of finance</b>		
Grants and Other Contributions (3)	(1,189)	(1,357)
Major Repairs Reserve	(4,993)	(4,453)
Capital Receipts	0	(530)
Revenue	<u>(8,859)</u>	<u>(6,325)</u>
<b>Total Capital Financing</b>	<b>(15,041)</b>	<b>(12,665)</b>
<b>Closing Capital Financing Requirement</b>	<b><u>194,358</u></b>	<b><u>194,358</u></b>
<b>Movement</b>	<b>702</b>	<b>0</b>
<b>Explanation of movements in year</b>		
Capital expenditure financed from borrowing	<u>702</u>	<u>0</u>
<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b><u>702</u></b>	<b><u>0</u></b>

1. This figure matches the 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 (see note 40).



## 14. Commitments under Capital Contracts

As at 31 March 2016, the major capital contracts entered into were as follows:

Contract	Purpose	Approximate Value	Period of Investment
		£'000	
<b>Housing Revenue Account</b>	Installing new kitchens and bathrooms	11,011	2016-19
	Upgrading and renewing heating systems	2,937	2016-19
	Window & Door Installations	1,476	2016-19
	Electrical upgrades	1,367	2016-19
	Building 4 new dwellings in Farnham	647	2016 (completion of project)
	Building 2 new dwellings in Godalming	231	2016 (completion of project)
	Building 14 new dwellings in Godalming	196	2016 (completion of project)

## 15. Information on Assets Held

The list below shows the range of assets that make up the non-current asset balances in the Balance Sheet:

	Number
<b>Council Dwellings</b>	4,856
<b>Other Land and Buildings</b>	
Garages	751
Art Gallery	1
Art Centre	1
Museum & Garden	2
Halls	2
Leisure Centres	3
Depots & Workshops	2
Recreation Areas, Pavilions & Amenity Open Space	31
Office Premises	4
Miscellaneous Buildings	10
Public Conveniences	4
Day Centres	1
Car Parks	28

The Council also owns a number of assets valued below the de minimis for recognition on the Balance Sheet. These are kept in a de minimis Asset Register and the values are regularly reviewed.

### Community Assets

These assets are perceived as being dedicated for public use and the Council is custodian.

Miscellaneous Land	6
Recreation Areas, Play Areas & Amenity Open Space	3

The Council also owns a number of community assets (eg play areas) which are less than £10,000 in value. These do not appear on the Council's Balance Sheet but are kept in a de minimis Asset Register.

### Surplus Assets

Brightwells in East Street, Farnham	1
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### Heritage Assets

See Heritage Assets note 18.

## 16. 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 Manager Gary Streets FRICS. The following statement shows when the those assets were most recently valued.

The basis for valuation is set out in the Statement of Accounting Policies at page 33.

<b>Carrying Value at 31 March 2016</b>	<b>Council Dwellings</b>	<b>Other Land and Buildings</b>	<b>Surplus Assets</b>	<b>Trust Assets</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Valued at fair value in:					
2015/2016	377,665	14,626	2,500		394,791
2014/2015		33,553		10,545	44,098
2013/2014		18,543			18,543
2012/2013		13,024			13,024
2011/2012		40			40
<b>Total</b>	<b>377,665</b>	<b>79,786</b>	<b>2,500</b>	<b>10,545</b>	<b>470,496</b>

## 17. Investment Property

The Council's investment property portfolio comprise mainly industrial units together with a few miscellaneous properties, including shops:

- Industrial Estate & Units	28
- Other	16

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:

2014/2015 £'000		2015/2016 £'000
(759)	Rental Income	(720)
29	Direct Operating Expenses	34
263	Changes in fair value	(1,754)
<b>(467)</b>	<b>Net (gain)/loss</b>	<b>(2,440)</b>

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, or for repairs, maintenance or enhancement.

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

### Movement on Investment Property

2014/2015 £'000		2015/2016 £'000
13,645	<b>Balance at start of the year</b>	13,507
(263)	Net gains or losses from fair value adjustments	1,754
125	Transfers (to)/from Property, Plant and Equipment	(594)
<b>13,507</b>	<b>Balance at end of the year</b>	<b>14,667</b>

## 18. Heritage Assets

Reconciliation of the Carrying Value of Heritage Assets held by the Council.

	Museum of Farnham Collection £'000	Phillips Memorial Park £'000	Art Collection £'000	Other £'000	Total Heritage Assets £'000
<b>Cost or Valuation</b>					
At 1 April 2015	319	334	315	226	1,194
Revaluations	3	18		10	31
At 31 March 2016	322	352	315	236	1,225
<b>Depreciation and Impairment</b>					
At 1 April 2015	0	0	0	(1)	(1)
Depreciation	0	0	0	0	0
At 31 March 2016	0	0	0	(1)	(1)
<b>Balance Sheet amount at 31 March 2016</b>	<b>322</b>	<b>352</b>	<b>315</b>	<b>235</b>	<b>1,224</b>

	Museum of Farnham Collection £'000	Phillips Memorial Park £'000	Art Collection £'000	Other £'000	Total Heritage Assets £'000
<b>Cost or Valuation</b>					
At 1 April 2014	319	334	315	226	1,194
At 31 March 2015	319	334	315	226	1,194
<b>Depreciation and Impairment</b>					
At 1 April 2014	0	0	0	(1)	(1)
Depreciation	0	0	0	0	0
At 31 March 2015	0	0	0	(1)	(1)
<b>Balance Sheet amount at 31 March 2015</b>	<b>319</b>	<b>334</b>	<b>315</b>	<b>225</b>	<b>1,193</b>

### Museum of Farnham Collection

The museum collection is reported in the Balance Sheet at insurance valuation which is based on market values. The insurance valuations are updated annually.

### Phillips Memorial Park

The Phillips Memorial Park is reported in the Balance Sheet at insurance valuation. The insurance valuations are updated annually. Expenditure on restoration and enhancement began in 2011/2012 following the award of funding from the Heritage Lottery Fund and The Big Lottery Fund. This was the start of a five year programme of restoration and enhancement works to commemorate the hundredth anniversary of the sinking of the Titanic.

### Art Collection

Various paintings are held at a number of sites and reported in the Balance Sheet at cost, insurance valuation based on market values (updated annually) or, for significant items, external valuation.

### Other

The remainder of the Heritage Assets are made up of civic regalia, architectural features and a small part of the Godalming Museum collection. These are all included in the Balance Sheet at insurance valuations (updated annually).

## 19. Heritage Assets: Summary of Transactions

The Code of Practice on Local Authority Accounting requires the Council to give a summary of transactions relating to heritage assets for the accounting period for the year of the accounts and the previous accounting period:

	2014/2015 £'000	2015/2016 £'000
<b>Valuation of heritage assets</b>		
Art Collection	315	315
Phillips Memorial Park *	334	352
Museum of Farnham Collection	319	322
Other	225	235
<b>Total</b>	<b>1,193</b>	<b>1,224</b>

\* The restoration expenditure on the Phillips Memorial Park was funded by grant from the Heritage Lottery Fund/The Big Lottery Fund.

## 20. Heritage Assets: Further information

The Code of Practice on Local Authority Account requires additional disclosures in relation to Heritage Assets.

### Phillips Memorial Park

The Phillips Memorial Park is named after Jack Phillips, who, as well as being a resident of Farncombe, was Chief Wireless Telegraphist on the Titanic and stayed at his post to broadcast distress messages while the ship sank on 15 April 1912. The park includes a Memorial Cloister which was built in 1913 to commemorate his selfless act.

### Preservation and Management

In July 2011, the Heritage Lottery Fund/The Big Lottery Fund announced that funding had been awarded for a five year programme of restoration and enhancement works to commemorate the one hundredth anniversary of the sinking of the Titanic.

## **Museum of Farnham**

The basis of the Museum collection is social history material found in, produced in, or closely associated with, Farnham and its surrounding villages. The Museum of Farnham (managed by the Farnham Maltings Association Limited from 5 April 2012) charts the town's history through its collection. The collection includes fine art, costume, archaeology, photography and other artefacts relating to the local area.

## **Preservation and Management**

The Museum will continue to collect social history material that has a strong association with Farnham or its immediate vicinity.

The Museum recognises its responsibility in acquiring additions to its collections, to ensure that care of collections, conservation, documentation arrangements and appropriate use of collections will meet the requirements of the Accreditation Standard. It takes into account limitations on collecting imposed by such factors as inadequate staffing, storage, arrangements for care of the collection and conservation resources. The Museum also has a Pest Management Plan in place to safeguard the collection from the threat of pests.

**Acquisition procedures:** The Museum has procedures in place to ensure that acquisitions are acquired legally and ethically and in line with the mission statement objectives of the Museum as approved by the Curator of the Museum.

**Disposal procedures:** in accordance with the Museum's long-term purpose to hold permanent collections, except for sound curatorial reasons, there is a strong presumption against the disposal of any items in the collection. However, the museum is free to dispose of any item following due consideration and its policy on disposal. A decision to dispose of an item, whether by gift, exchange, sale or destruction (in the case of an item too badly damaged or deteriorated), is the responsibility of the governing body of the Museum acting on the advice of professional curatorial staff.

## **Other Heritage Assets**

The other heritage assets held on the Balance Sheet are managed and preserved in line with the Council's general duty of care and stewardship of the Borough's assets.

## 21. Financial Instruments - Classifications

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 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 and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity under conditions that are potentially unfavourable to the Council.

The Council's loan portfolio as at 31 March 2016 consisted of Public Works Loans Board (PWLB) debt of £187,035,000. The Local Enterprise Partnership (LEP) borrowing of £1,565,000 was repaid during the year. Under the 2015/2016 Code of Practice the debt is measured at amortised cost.

For information, in 2011/2012 the HRA borrowed £5 million from internal General Fund resources and took on new PWLB debt of £183.8 million in order to finance the one-off payment of £189 million to the Government as part of the new HRA self-financing framework.

### 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.

The three classifications for financial assets under the Code of Practice are:

- \* Loan and Receivables,
- \* Available for Sale; and
- \* Fair Value through Profit or Loss.

### Loans and Receivables

The Council's portfolio of investments as at 31 March 2016 consisted of one £3 million previously structured product (now considered unstructured), other fixed term deposits and call accounts. These are all classed as 'loans and receivables' and are measured at amortised cost. This form of measurement does not change the amount of cash receivable under the terms of the investment. Trade receivables are also classified as 'loans and receivables'. These have been measured at amortised cost on the Balance Sheet.

Balances in call accounts as at 31 March 2016 are shown under "cash and cash equivalents" in the Balance Sheet as they represent highly liquid investments that are readily convertible to known amounts of cash, with an insignificant risk of changes in value.

### Available for Sale and Fair Value through Profit or Loss

The Council does not have any assets on its Balance Sheet classified as Available for Sale (eg Money Market Funds) or any investments required to be measured at Fair Value through Profit or Loss (eg assets held for trading, derivatives etc.).

### Transaction Costs

Where Financial Instruments are measured on the Balance Sheet at amortised cost, the related transaction costs (eg commissions payable to brokers) are permitted to be attached to the loan or investment and charged to the Comprehensive Income and Expenditure Statement over the life of the instrument. Where those costs are considered to be immaterial, however, they can be charged in full to the Comprehensive Income and Expenditure Statement in the financial year they are incurred. The Council has adopted this latter approach in 2015/2016.

## 22. Financial Instruments Balances

The Balance Sheet shows the following categories of Financial Instrument:

31 March 2015 Balance			31 March 2016 Balance	
Long-Term £'000	Current £'000		Long-Term £'000	Current £'000
<b>Loans and Receivables</b>				
3,034	33,101	Investments	0	35,595
38	3,034	Net Trade Receivables (within Debtors)	0	3,621
0	13,859	Cash and Cash Equivalents	0	12,810
<u>3,072</u>	<u>49,994</u>	<b>Total Financial Assets</b>	<u>0</u>	<u>52,026</u>
<b>Financial Liabilities at amortised cost</b>				
(187,035)	(1,639)	Borrowings	(187,035)	(74)
0	(8,241)	Trade Payables (within Creditors)	0	(7,474)
<u>(187,035)</u>	<u>(9,880)</u>	<b>Total Financial Liabilities</b>	<u>(187,035)</u>	<u>(7,548)</u>
<b>Reconciliation of Current Net Trade Receivables to Total Short Term Debtors</b>				
	3,034	Net Trade Receivables (Current)		3,621
	2,943	Debtors that are not financial instruments		5,316
	<u>5,977</u>	<b>Total Short Term Debtors</b>		<u>8,937</u>
<b>Reconciliation of Current Net Trade Payables to Total Short Term Creditors</b>				
	(8,241)	Trade Payables (Current)		(7,474)
	(4,035)	Creditors that are not financial instruments		(1,917)
	<u>(12,276)</u>	<b>Total Short Term Creditors</b>		<u>(9,391)</u>

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

The following table identifies the composition of borrowing recorded on the Balance Sheet:

31 March 2015 Balance			31 March 2016 Balance	
Long-Term £'000	Current £'000		Long-Term £'000	Current £'000
<b>Borrowings</b>				
(187,035)	(1,565)	Nominal Amount	(187,035)	0
0	(74)	Accrued Interest	0	(74)
<u>(187,035)</u>	<u>(1,639)</u>	<b>Total Amortised Cost</b>	<u>(187,035)</u>	<u>(74)</u>

The following table identifies the composition of investments recorded on the Balance Sheet:

31 March 2015 Balance			31 March 2016 Balance	
Long-Term £'000	Current £'000		Long-Term £'000	Current £'000
<b>Investments</b>				
3,003	33,000	Nominal Amount	1	35,500
31	101	Accrued Interest	0	95
<b>On-call Investments within Cash and Cash Equivalents</b>				
0	16,345	Nominal Amount	0	15,975
0	3	Accrued Interest	0	6
<u>3,034</u>	<u>49,449</u>	<b>Total Amortised Cost</b>	<u>1</u>	<u>51,576</u>

Any long-term borrowing and long-term investments and debtors due to be settled within 12 months of the Balance Sheet date are presented in the Balance Sheet under 'current liabilities' or 'current assets'. These include accrued interest on long-term borrowing and investments.



## 23. 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:

2014/2015			2015/2016	
Financial Liabilities	Financial Assets		Financial Liabilities	Financial Assets
£'000	£'000		£'000	£'000
Liabilities measured at amortised cost	Loans and receivables		Liabilities measured at amortised cost	Loans and receivables
5,666	0	Total interest payable and other similar charges *	5,659	0
0	(376)	Total interest and investment income	0	(474)
<b>5,666</b>	<b>(376)</b>	<b>Net (gain)/loss for the year</b>	<b>5,659</b>	<b>(474)</b>

\* The majority of interest paid was to the PWLB

## 24. Fair Value of Financial Assets and Liabilities

For each class of financial asset and financial liability, the Council is required to disclose the Fair Value of that class of assets and liabilities in such a way that a comparison with the carrying amount is possible. Some of the Council's financial assets are measured on a recurring basis (in the Balance Sheet at the end of the reporting period) however these are all classified as 'Loans and Receivables'. The Council's long term loans and investments are carried in the Balance Sheet at amortised cost. Any debt and investments due to be settled within 12 months of the Balance Sheet date are presented in the Balance Sheet under current liabilities or short term investments. These also include accrued interest for long term investments and borrowings, as well as accrued interest for cash and cash equivalents.

The 2015/2016 Code of Practice requires the Fair Values of these assets and liabilities to be disclosed for comparison purposes. 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 of a financial instrument on initial recognition is generally the transaction price.

As at 31 March 2016 the Council's outstanding debt consisted solely of loans from the PWLB. The PWLB has provided the Council with Fair Value amounts in relation to its debt portfolio; these have been assessed by calculating the amounts the Council would have had to pay (including penalty charges) for early repayment of these loans on the relevant dates. 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 1.20 on page 37).

The Fair Value of the other financial instruments (trade payables and all financial assets) can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments using the following assumptions:

- no early repayment or impairment is recognised,
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value,
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

There has been no change in the valuation technique used during the year for the financial instruments, nor has there been any transfer between input Levels 1 and 2.

The Council's investment portfolio at the Balance Sheet date consisted entirely of call account deposits and term deposits with Banks, Building Societies and local authorities. The maturity dates of all investments were within 12 months of the Balance Sheet date. None of the investments were impaired (i.e. considered at risk of default).

The only Financial Instrument whose Fair Value differs materially from the Balance Sheet carrying amount is:

31 March 2015 Balance			31 March 2016 Balance	
Carrying amount £'000	Fair value £'000		Carrying amount £'000	Fair value £'000
		<b>Financial Liabilities</b>		
187,109	217,942	PWLB Borrowing	187,109	219,012

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 2016) arising from a commitment to pay interest above current market rates.

## 25. 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 2015/2016 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 Department for 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 2015/2016, 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](http://www.waverley.gov.uk) (Executive 2 February 2016 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 the funds available to meet its commitments to make payments
- re-financing risk - the possibility that the Council might need renew a financial instrument on maturity at disadvantageous interest rates or terms, and
- market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates, exchange 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.

## Loans and Receivables

The Council's investments are classified into two groups "specified" and "non-specified". Specified deposits are those held in sterling with a term of no more than a year and made with UK Local Authorities, the UK Government, or "high" credit-rated institutions (meaning AAA rating for sterling money market funds or a minimum of A- for any banks and building societies). Non-specified investments are any investments that, apart from having a term of more than one year, meet all the other requirements of a "specified" investment.

In order, primarily, to maximise the security and liquidity of the Council's investments, but also to enable flexibility in investment options allowing for the practicalities of day-to-day investment dealing, the Council's investment activity in 2015/2016 was as follows:

- Cash investments were restricted to UK Local Authorities and the UK Government and institutions assessed as having a "high credit quality" (meaning AAA rating for sterling money market funds or a minimum of A- for any banks and building societies) and being considered to have other high credit credentials
- during the year the Council made 2 non-specified investments totalling £4 million, one for 381 days and one for 733 days.
- £10 million was the maximum investment in any single specified organisation at any one time
- £15 million was the total investment with any group - £7.5million remaining the maximum with any single member of that group
- market and ratings information, and in-house information, was used to ensure compliance with the strategy
- every investment was ratings-checked on the day of the investment and a list of potential counterparties prepared and approved by the Section 151 Officer and updated daily
- the maximum total investment at any one time that can prudently be committed for more than one year is £10 million
- the Director of Finance and Resources can seek the approval of the Executive to change the above limits during the year if necessary, provided that it is in the best interests of the Council to do so.

In practice market conditions prompted tighter controls, within the bounds of the approved policy, to create as much security as possible for the Council's investment portfolio.

The Council has no experience of default on its investments.

All the Council's £51.5 million external investments (including £16 million within Cash and Cash Equivalents) as at 31 March 2016 (£52.5 million total investments as at 31 March 2015) were either in UK banks, building societies or local authorities. The average number of days to maturity as at 31 March 2016 was 180 (100 as at 31 March 2015). The average rate of investment return as at 31 March 2016 was 0.77% (0.65% as at 31 March 2015).

The Council 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 2016 and confirms that all investments were made in line with the Council's Annual Investment Strategy.

Counterparty Fitch credit rating when Investment placed	Credit Rating Criteria met when Investment placed	Credit Rating Criteria met on 31 March 2016	Balance Invested as at 31 March 2016			Total
			Instant access	up to 1 year	over 1 year	
			£'000	£'000	£'000	£'000
			Length of investment from date lent to maturity date			
<b>Not rated *</b>			0	0	0	0
<b>AA- stable</b>	Yes	Yes	10,375	0	0	10,375
<b>A stable</b>	Yes	Yes	5,600	31,500	1,000	38,100
<b>A negative</b>	Yes	No	0	0	3,000	3,000
<b>A- stable</b>	Yes	Yes	0	0	0	0
<b>Totals</b>			<b>15,975</b>	<b>31,500</b>	<b>4,000</b>	<b>51,475</b>

\* Waverley had no deposits with other Local Authorities as at 31 March 2016. Local Authorities are not generally rated individually but are rated equivalent to Government institutions and fall within the Annual Investment Strategy.

*Waverley Borough Council*

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The comparative figures for the Council's investment portfolio as at 31 March 2015 are below:

Counterparty Fitch credit rating when Investment placed	Credit Rating Criteria met when Investment placed	Credit Rating Criteria met on 31 March 2015	Balance Invested as at 31 March 2015			Total
			Instant access £'000	up to 1 year £'000	over 1 year £'000	
			Length of investment from date lent to maturity date			
<b>Not rated (other Local Authorities)</b>			0	8,000	0	8,000
<b>AA- stable</b>	Yes	Yes	10,845	0	0	10,845
<b>A stable</b>	Yes	Yes	5,500	10,000	0	15,500
<b>A negative</b>	Yes	Yes		8,000	8,000	16,000
<b>A- stable</b>	Yes	Yes	0	2,000	0	2,000
<b>Totals</b>			<b>16,345</b>	<b>28,000</b>	<b>8,000</b>	<b>52,345</b>

#### Trade Receivables

In relation to its customers, the Council does not generally allow credit, however it has a prudent impairment allowance for Bad debts (see note 26 on page 66) to cover cases of default.

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. There are no trade receivables which are individually determined to be impaired at the Balance Sheet date.

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 Public Works Loans Board 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 1.5 years and 25.5 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 2015 £'000s	% of total debt portfolio	Years	31 March 2016 £'000s	% of total debt portfolio	
1,565	1	<b>Short Term Borrowing</b> < 1 year	0	0	
11,418	6	<b>Long Term Borrowing</b>	15,721	8	
35,331	19		>5 years ≤ 10 years	40,808	22
55,914	29		>10 years ≤ 15 years	60,258	32
77,879	41		>15 years ≤ 20 years	67,010	36
3,255	2		>20 years ≤ 25 years	3,237	2
3,238	2		>25 years ≤ 30 years	0	0
<b>188,600</b>	<b>100</b>	<b>Total Borrowing</b>	<b>187,034</b>	<b>100</b>	

## 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 investments were all held at fixed rates as at 31 March 2016 and are due to mature within one year except for small amount of Government stock of £2,478.

There is some risk with regard to the reinvestment of these deposits when they mature if interest rates should fall further. The Treasury Management team, however, has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and the regular budget monitoring process.

The Council received £468,000 interest on its external investments in 2015/2016 at an average interest rate of 0.77%. If the average rate had been 0.2% less (ie 0.57%) the Council would have received approximately £122,000 less income; a 0.2% rise in interest rates would similarly have produced approximately £122,000 more income. In setting the Budget for 2016/2017, the Council forecast £430,000 external interest income.

The fair value of the Council's fixed rate PWLB borrowings (carrying value £187,109,000) was £219,012,000 at 31 March 2016. 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 £243,161,000 (£24,149,000 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 £197,525,000 (£21,487,000 less, but again with no impact on the Surplus or Deficit on the Provision of Services or other Comprehensive Income and Expenditure).

Interest Rate profile of financial liabilities	31/03/2015	31/03/2016
Total £'000	* (188,600)	(187,109)
Weighted average interest rate (%)	3.0	3.0
Weighted average period (years)	13.5	12.5

\* The profile to the 31/03/2015 includes LEP borrowing repaid in 2016/2017

The £5 million HRA borrowing from internal General Fund resources is at a fixed rate of 3.4% and is not expected to be repaid in the short term. This internal borrowing gives the HRA flexibility and reduces the credit risk for the overall General Fund's investment portfolio.

## Market risk - price risk

The Council does not invest in equity shares and therefore is not subject to any price risk (i.e. 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 significant 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.

## 26. Short Term Debtors

31 March 2015		31 March 2016	
Balance		Balance	
£'000		£'000	£'000
	<b>Debtors</b>		
1,573	Central Government bodies	1,885	
0	less Impairment Allowance	0	
<b>1,573</b>			<b>1,885</b>
146	Other Local Authorities	2,116	
0	less Impairment Allowance	0	
<b>146</b>			<b>2,116</b>
5,742	Other entities and individuals	6,557	
(1,455)	less Impairment Allowance	(1,622)	
<b>4,287</b>			<b>4,935</b>
<b>6,006</b>	<b>Total Debtors net of Impairment Allowance</b>		<b>8,936</b>

## 27. Cash and Cash Equivalents

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

31 March 2015		31 March 2016 Balance		
Balance		Single	Group	Group
£'000		Entity	Activities	Total
		£'000	£'000	£'000
3	Cash held by the Council	3		3
(2,492)	Bank current accounts	(3,173)		(3,173)
16,348	Short-term investments	15,980		15,980
179	Shottermill Recreation Ground Trust		158	158
1,103	Ewart Bequest		1,186	1,186
<b>15,141</b>	<b>Total Cash and Cash Equivalents</b>	<b>12,810</b>	<b>1,344</b>	<b>14,154</b>

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

## 28. Short Term Creditors

31 March 2015		31 March 2016	
Balance		Balance	
£'000		£'000	
	<b>Creditors</b>		
(2,080)	Central Government bodies		(851)
(4,157)	Other Local Authorities		(1,956)
(6,088)	Other entities and individuals		(6,584)
<b>(12,325)</b>	<b>Total</b>		<b>(9,391)</b>

## 29. Usable Reserves

The Council has the following usable reserves in the Balance Sheet.

### Usable Reserves 2015/2016

1 April 2015 Balance £'000	Reserve	Net Movement in year £'000	Balance 31 March 2016 £'000	Purpose of Reserve	Further detail of Movements
(3,290)	General Fund	94	(3,196)	Resources available to meet future running costs for non-housing services	See Movement in Reserves Statement on page 13 and note 8 to the Financial Statements
(1,918)	Revenue Reserve Fund	394	(1,524)		See note 9
(6,838)	General Fund Earmarked Reserves	(2,515)	(9,353)		See note 9
(2,385)	Housing Revenue Account	(218)	(2,603)	Resources available to meet future running costs for council houses	See HRA Income and Expenditure Account, Movement on the HRA Statement & Note 3 to the HRA
(14,552)	Housing Revenue Account Earmarked Reserves	(1,691)	(16,243)		See note 9
(2,546)	Housing Revenue Account - Major Repairs Reserve	(176)	(2,722)		See note 4 to the HRA
(14,165)	Capital Receipts Reserve	(2,373)	(16,538)	Proceeds of non-current assets sales that can only be used to fund capital expenditure	See next page for explanation of movement
(1,958)	Capital Grants Unapplied Account	843	(1,115)	Capital resource applied when expenditure incurred	See note 40
<b>(47,652)</b>	<b>Total</b>	<b>(5,642)</b>	<b>(53,294)</b>		

## Usable Reserves 2014/2015

1 April 2014 Balance £'000	Reserve	Net Movement in year £'000	Balance 31 March 2015 £'000	Purpose of Reserve	Further detail of Movements
(3,361)	General Fund	71	(3,290)	Resources available to meet future running costs for non-housing services	See Movement in Reserves Statement on page 12 and Note 8 to the Financial Statements
(2,486)	Revenue Reserve Fund	568	(1,918)		See note 9
(7,383)	General Fund Earmarked Reserves	545	(6,838)		See note 9
(2,345)	Housing Revenue Account	(40)	(2,385)	Resources available to meet future running costs for council houses	See HRA Income and Expenditure Account, Movement on the HRA Statement & Note 3 to the HRA
(12,036)	Housing Revenue Account Earmarked Reserves	(2,516)	(14,552)		See note 9
(2,334)	Housing Revenue Account - Major Repairs Reserve	(212)	(2,546)		See note 4 to the HRA
(12,751)	Capital Receipts Reserve	(1,414)	(14,165)	Proceeds of non-current assets sales that can only be used to fund capital expenditure	See below for explanation of movement
(1,396)	Capital Grants Unapplied Account	(562)	(1,958)	Capital resource applied when expenditure incurred	See note 40
<b>(44,092)</b>	<b>Total</b>	<b>(3,560)</b>	<b>(47,652)</b>		

## Explanation of Movements on Usable Reserves

2014/2015 Movement £'000		2015/2016 Movement £'000
	<b>Capital Receipts Reserve</b>	
(1,926)	Capital Receipts in year (net of disposal costs)	(3,843)
515	Pooling of Housing Receipts	941
0	Capital Financing in year	530
(3)	Other movements	(1)
<b>(1,414)</b>		<b>(2,373)</b>
	<b>Capital Grants Unapplied Account</b>	
(708)	Grant/Contribution received in year credited to Non-Specific Grant Income	(152)
146	Used to finance capital expenditure in year	995
<b>(562)</b>		<b>843</b>



### 30. 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.

#### Unusable Reserve 2015/2016

1 April 2015 Balance £'000	Reserve	Net Movement in year £'000	Balance 31 March 2016 £'000	Purpose of Reserve	Further detail of Movements
	<b>Revaluation balances</b>				
(22,120)	Revaluation Reserve	(4,442)	(26,562)	Holds unrealised gains and losses on revaluation of assets, only becomes available if the assets are sold	See next page for explanation of movement
	<b>Adjustment Accounts</b>				
(235,217)	Capital Adjustment Account	(32,394)	(267,611)	Store of capital assets set aside to represent past expenditure	See page 71 for explanation of movement
51,886	Pensions Reserve	(5,865)	46,021	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	See note 43 to the core financial statements
(495)	Collection Fund Adjustment Account	1,487	992		See page 72 for explanation of movement
<b>(205,946)</b>	<b>Total Unusable Reserves</b>	<b>(41,214)</b>	<b>(247,160)</b>		

#### Unusable Reserve 2014/2015

1 April 2014 Balance £'000	Reserve	Net Movement in year £'000	Balance 31 March 2015 £'000	Purpose of Reserve	Further detail of Movements
	<b>Revaluation balances</b>				
(18,582)	Revaluation Reserve (Restated)	(3,538)	(22,120)	Holds unrealised gains and losses on revaluation of assets, only becomes available if the assets are sold	See next page for explanation of movement
	<b>Adjustment Accounts</b>				
(208,406)	Capital Adjustment Account	(26,811)	(235,217)	Store of capital assets set aside to represent past expenditure	See page 71 for explanation of movement
47,412	Pensions Reserve	4,474	51,886	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	See note 43 to the core financial statements
(1)	Deferred Credits	1	0		
(61)	Collection Fund Adjustment Account	(434)	(495)		
<b>(179,638)</b>	<b>Total Unusable Reserves</b>	<b>(26,308)</b>	<b>(205,946)</b>		

## 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:

2014/2015 Movement £'000		2015/2016 Movement £'000
(18,582)	<b>Balance at 1 April</b>	(22,120)
(4,454)	Upward Revaluations of assets	(4,823)
743	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	283
(3,711)	Surplus or Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(4,540)
51	Difference between fair value depreciation and historical cost depreciation	98
122	Accumulated gains on assets sold or scrapped	0
173	Amount written off to the Capital Adjustment Account	98
(3,538)	<b>Net Movement in year</b>	(4,442)
(22,120)	<b>Balance at 31 March</b>	(26,562)

## 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:

2014/2015 Movement £'000		2015/2016 Movement £'000
(208,406)	<b>Balance at 1 April</b>	(235,217)
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement (see note 8):</b>	
7,090	Depreciation of non-current assets	7,216
937	Impairment losses & reversals on Property, Plant & Equipment	2,892
(25,950)	Revaluation losses & reversals on Property, Plant & Equipment	(28,083)
121	Amortisation of intangible assets	110
9	Impairment of intangible assets	0
3,021	Revenue expenditure funded from capital under statute	(3)
1,885	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	1,229
(12,887)		(16,639)
(173)	Adjusting amounts written out of the Revaluation Reserve	(98)
(13,060)	Net written out amount of the cost of non-current assets consumed in the year	(16,737)
	<b>Capital financing applied in the year:</b>	
0	Use of the Capital Receipts Reserve to finance new capital expenditure	(530)
(4,993)	Use of the Major Repairs Reserve to finance new capital expenditure	(4,453)
(143)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(589)
(3)	Application of grants to capital financing from the Capital Grants Unapplied Account	(406)
0	Repayment of borrowing	(1,565)
(8,859)	Capital expenditure charged against the General Fund and HRA balances	(6,325)
(13,998)		(13,868)
263	Movements in the fair value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(1,754)
(18)	Donated Assets credited to the Comprehensive Income & Expenditure Statement	(36)
2	Other	1
(26,811)	<b>Net Movement in year</b>	(32,394)
<u>(235,217)</u>	<b>Balance at 31 March</b>	<u>(267,611)</u>

## 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 43 for further detail

2014/2015 £'000		2015/2016 £'000
47,412	<b>Balance at 1 April</b>	51,886
3,311	Remeasurements of the net defined benefit liability/(asset)	(7,227)
4,434	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	4,627
(3,271)	Employer's pensions contributions and direct payments to pensioners payable in the year	(3,265)
<hr/> 4,474	<b>Net Movement in year</b>	<hr/> (5,865)
<hr/> <b>51,886</b>	<b>Balance at 31 March</b>	<hr/> <b>46,021</b>

## Collection Fund Adjustment Account

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

2014/2015 £'000		2015/2016 £'000
(61)	<b>Balance at 1 April</b>	(495)
(434)	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	1,487
<hr/> (495)	<b>Balance at 31 March</b>	<hr/> <b>992</b>

## 31. Cash-Flow Statement - non-cash movements

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).

### Adjustments to net surplus or deficit on the provision of services for non-cash movements:

2014/2015 £'000		2015/2016 £'000
(7,349)	Depreciation	(7,216)
(3,010)	Impairment and downward valuations	(2,892)
26,094	Revaluation losses and reversals on Property, Plant & Equipment	28,083
(121)	Amortisations	(110)
(120)	(Increase)/Decrease in Impairment Allowance	(167)
(2,124)	(Increase)/Decrease in Creditors	1,602
159	Increase/(Decrease) in Debtors	2,014
0	Increase/(Decrease) in Inventories	(3)
(1,163)	Pensions liability	(1,362)
(1,885)	Carrying amount of non-current assets sold	(1,229)
(211)	Provisions	(433)
(263)	Movements in the value of Investment Properties	1,754
3,598	Donated Assets	36
<b>13,605</b>	<b>Total non-cash movements</b>	<b>20,077</b>

### Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities:

2014/2015 £'000		2015/2016 £'000
376	Proceeds from short-term investments (cash interest on investments)	474
1,926	Proceeds from the sale of Property, Plant and Equipment	3,843
708	Grants received for financing of capital expenditure	152
	Other contributions for financing revenue expenditure	525
<b>3,010</b>		<b>4,994</b>

## 32. Cash-Flow Statement - Operating Activities

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

2014/2015 £'000		2015/2016 £'000
5,650	Interest paid	5,650
(477)	Interest received	(508)

### 33. Cash-Flow Statement - Investing Activities

2014/2015 £'000		2015/2016 £'000
13,268	Purchase of property, plant and equipment and intangible assets	12,580
130,000	Purchase of short-term and long-term investments	111,550
(119,977)	Proceeds from short-term investments	(112,558)
(1,926)	Proceeds from the sale of Property, Plant and Equipment	(3,843)
(827)	Capital Grants and contributions received for the cost of purchasing property, plant and equipment or intangible assets	(371)
<b>20,538</b>	<b>Net cash-flows from investing activities</b>	<b>7,358</b>

### 34. Cash-Flow Statement - Financing Activities

2014/2015 £'000		2015/2016 £'000
(874)	Cash receipts of short-term borrowing	0
0	Repayments of short-term borrowing	1,565
(300)	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	682
(965)	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	1,462
<b>(2,139)</b>	<b>Net cash-flows from financing activities</b>	<b>3,709</b>

### 35. 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:

2014/2015 £'000		2015/2016 £'000
	<b>Gross cash receipts</b>	
(11,070)	Taxation - Council Tax collected in the year attributable to the Council	(11,453)
(13,731)	Taxation - Business Rates income in the year attributable to the Council	(14,692)
(36,412)	Grants (see note 41.)	(34,570)
(13,607)	Housing Rents	(14,921)
(32,619)	Sales of goods and services	(29,965)
<b>(107,439)</b>	Cash inflows from operating activities	<b>(105,601)</b>
	<b>Gross cash payments</b>	
12,354	Waverley Business Rates tariff to central government	12,590
12,455	Cash paid to and on behalf of employees	12,695
15,610	Housing Benefit paid out	15,806
2,488	Precepts paid	2,578
660	Payments to the capital receipts pool	756
24,873	Cash paid to suppliers of goods and services	26,332
5,650	Interest paid	5,650
19,082	Other payments for operating activities	19,176
<b>93,172</b>	Cash outflows generated from operating activities	<b>95,583</b>
<b>(14,267)</b>	<b>Net cash-flows from Operating Activities</b>	<b>(10,018)</b>

### 36. Amounts reported for resource allocation decisions

The Code of Practice on Local Authority Accounting requires a 'Segment Reporting' analysis to be disclosed based on the Council's internal management reporting structure.

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Service Reporting Code of Practice*. However, decisions about resource allocation are taken by the Council on the basis of budget reports analysed across its internal management structure. The internal management structure consists of service areas each with a Head of Service. The budget reports are prepared on a different basis from the accounting policies used in the financial statements.

In particular:

- In the budget reports, the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year.
- Revenue grants received are not reported to management until they are applied to fund the expenditure for which they were given.

The income and expenditure of the Council's services reported in the budget reports for the year is shown on the following pages:

**Service Information - for the year ended 31 March 2016**

Subjective Analysis based on Service Areas	2015/2016									Housing Revenue Account	Total
	General Fund								General Fund Total		
	Planning	Monitoring and Returning Officer	Policy and Governance	Community Services	Environmental Services	Housing	Customer and Corporate Services	Finance			
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<b>Income</b>											
Fees, charges and other service income	(1,982)	(259)	(1,293)	(4,120)	(6,018)	(1,214)	(253)	(2,384)	(17,523)	(30,034)	<b>(47,557)</b>
Government Grants and Contributions								(29,967)	(29,967)		<b>(29,967)</b>
<b>Total Income</b>	<b>(1,982)</b>	<b>(259)</b>	<b>(1,293)</b>	<b>(4,120)</b>	<b>(6,018)</b>	<b>(1,214)</b>	<b>(253)</b>	<b>(32,351)</b>	<b>(47,490)</b>	<b>(30,034)</b>	<b>(77,524)</b>
<b>Expenditure</b>											
Employee expenses *	21	122	17	44	21	0	0	1,592	1,817	0	<b>1,817</b>
Other service expenses	423	247	726	5,294	6,191	615	300	30,979	44,775	7,320	<b>52,095</b>
Support Service recharges *	3,686	210	2,553	2,161	1,675	956	291	1,610	13,142	4,971	<b>18,113</b>
Depreciation, amortisation & impairment	2			763	34	0	6	1	806	(18,962)	<b>(18,156)</b>
<b>Total Expenditure</b>	<b>4,132</b>	<b>579</b>	<b>3,296</b>	<b>8,262</b>	<b>7,921</b>	<b>1,571</b>	<b>597</b>	<b>34,182</b>	<b>60,540</b>	<b>(6,671)</b>	<b>53,869</b>
<b>Net Expenditure</b>	<b>2,150</b>	<b>320</b>	<b>2,003</b>	<b>4,142</b>	<b>1,903</b>	<b>357</b>	<b>344</b>	<b>1,831</b>	<b>13,050</b>	<b>(36,705)</b>	<b>(23,655)</b>

**Reconciliation of service areas income and expenditure to Cost of Services in Comprehensive Income and Expenditure Statement**

This reconciliation shows how the figures in the analysis of service areas income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	£'000
Net Expenditure in Service Areas Analysis	(23,655)
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	<u>192</u>
<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b><u>(23,463)</u></b>

\* The vast majority of the Council's staff costs get allocated as part of a recharge according to time spent on that service so form part of the Support Services recharges, rather than being charged direct under Employee expenses.



## Service Information - for the year ended 31 March 2016

This reconciliation shows how the figures in the analysis of Heads of Service income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement (CIES).

Reconciliation to Subjective Analysis	2015/2016						Total
	Total Service Analysis	Amounts not reported to management for decision making	Allocation of Support Service Recharges	Net expenditure of subsidiaries	Cost of Services	Corporate Amounts	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income							
Fees, charges and other service income	(47,557)		(365)	(316)	(48,238)		(48,238)
Interest and Investment Income				(10)	(10)	(1,194)	(1,204)
Income from Council Tax					0	(11,281)	(11,281)
Government Grants and Contributions	(29,967)	(107)			(30,074)	(3,479)	(33,553)
Business Rates distribution					0	(1,962)	(1,962)
Capital grants and contributions					0	(152)	(152)
(Gain)/Loss on disposal of non-current assets					0	(2,614)	(2,614)
Gain on fair value of Investment Properties					0	(1,754)	(1,754)
<b>Total Income</b>	<b>(77,524)</b>	<b>(107)</b>	<b>(365)</b>	<b>(326)</b>	<b>(78,322)</b>	<b>(22,436)</b>	<b>(100,758)</b>
Expenditure							
Employee expenses	1,817	(226)	16,646		18,237	1,588	19,825
Other service expenses	52,095	525	3,036	194	55,850	34	55,884
Support Service recharges **	18,113		(19,608)	54	(1,441)		(1,441)
Depreciation, amortisation & impairment	(18,156)		291	279	(17,586)		(17,586)
Interest payments					0	5,669	5,669
Precepts and levies					0	2,578	2,578
Payment to Housing Capital Receipts Pool					0	941	941
<b>Total Expenditure</b>	<b>53,869</b>	<b>299</b>	<b>365</b>	<b>527</b>	<b>55,060</b>	<b>10,810</b>	<b>65,870</b>
<b>(Surplus)/Deficit on the provision of services</b>	<b>(23,655)</b>	<b>192</b>	<b>0</b>	<b>201</b>	<b>(23,262)</b>	<b>(11,626)</b>	<b>(34,888)</b>

\*\* The credit reflects the staff recharges to areas outside of the Net Cost of Services in the Comprehensive Income and Expenditure Account

**Service Information - for the year ended 31 March 2015**

Subjective Analysis based on Service Areas	2014/2015									Housing Revenue Account	Total
	General Fund								General Fund Total		
	Planning	Monitoring and Returning Officer	Policy and Governance	Community Services	Environmental Services	Housing	Customer and Corporate Services	Finance			
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<b>Income</b>											
Fees, charges and other service income	(1,942)	(185)	(1,250)	(4,750)	(6,028)	(838)	(216)	(1,936)	(17,145)	(29,088)	<b>(46,233)</b>
Government Grants and Contributions		(25)				(29)		(30,172)	(30,226)		<b>(30,226)</b>
Total Income	(1,942)	(210)	(1,250)	(4,750)	(6,028)	(867)	(216)	(32,108)	(47,371)	(29,088)	<b>(76,459)</b>
<b>Expenditure</b>											
Employee expenses	0	75	16	46	21	0	0	1,602	1,760	5	<b>1,765</b>
Other service expenses	382	263	794	8,987	5,920	677	309	30,745	48,077	6,841	<b>54,918</b>
Support Service recharges	3,230	173	2,366	2,100	1,515	988	362	1,567	12,301	3,727	<b>16,028</b>
Depreciation, amortisation & impairment	3			1,708	70	2	134	74	1,991	(18,967)	<b>(16,976)</b>
Total Expenditure	3,615	511	3,176	12,841	7,526	1,667	805	33,988	64,129	(8,394)	<b>55,735</b>
<b>Net Expenditure</b>	<b>1,673</b>	<b>301</b>	<b>1,926</b>	<b>8,091</b>	<b>1,498</b>	<b>800</b>	<b>589</b>	<b>1,880</b>	<b>16,758</b>	<b>(37,482)</b>	<b>(20,724)</b>

**Reconciliation of service areas income and expenditure to Cost of Services in Comprehensive Income and Expenditure Statement**

This reconciliation shows how the figures in the analysis of service areas income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	£'000
Net Expenditure in Service Areas Analysis	(20,724)
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	<u>(699)</u>
<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b><u>(21,423)</u></b>

## Service Information - for the year ended 31 March 2015

This reconciliation shows how the figures in the analysis of Heads of Service income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement (CIES).

Reconciliation to Subjective Analysis	2014/2015						Total
	Total Service Analysis	Amounts not reported to management for decision making	Allocation of Support Service Recharges	Net expenditure of subsidiaries	Cost of Services	Corporate Amounts	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Income</b>							
Fees, charges and other service income	(46,233)		(374)	(3,820)	(50,427)		(50,427)
Interest and Investment Income				(9)	(9)	(1,135)	(1,144)
Income from Council Tax					0	(11,132)	(11,132)
Government Grants and Contributions	(30,226)	44			(30,182)	(3,703)	(33,885)
Business Rates distribution					0	(2,193)	(2,193)
Capital grants and contributions					0	(708)	(708)
(Gain)/Loss on disposal of non-current assets					0	(41)	(41)
<b>Total Income</b>	<b>(76,459)</b>	<b>44</b>	<b>(374)</b>	<b>(3,829)</b>	<b>(80,618)</b>	<b>(18,912)</b>	<b>(99,530)</b>
<b>Expenditure</b>							
Employee expenses	1,765	(743)	16,180		17,202	1,906	19,108
Other service expenses	54,918		2,747	294	57,959	29	57,988
Support Service recharges	16,028		(17,736)	45	(1,663)		(1,663)
Depreciation, amortisation & impairment	(16,976)		(817)	2,179	(15,614)		(15,614)
Interest payments					0	5,666	5,666
Precepts and levies					0	2,488	2,488
Payment to Housing Capital Receipts Pool					0	515	515
Loss on fair value of Investment Properties					0	263	263
<b>Total Expenditure</b>	<b>55,735</b>	<b>(743)</b>	<b>374</b>	<b>2,518</b>	<b>57,884</b>	<b>10,867</b>	<b>68,751</b>
<b>(Surplus)/Deficit on the provision of services</b>	<b>(20,724)</b>	<b>(699)</b>	<b>0</b>	<b>(1,311)</b>	<b>(22,734)</b>	<b>(8,045)</b>	<b>(30,779)</b>

### 37. 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 tables below) whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 were:

2014/2015 Number of Employees	Remuneration Band	2015/2016
		Number of Employees *
4	£50,000 - £54,999	6
6	£55,000 - £59,999	2
2	£60,000 - £64,999	4
3	£65,000 - £69,999	2
3	£70,000 - £74,999	3
0	£75,000 - £79,999	1
1	£85,000 - £89,999	0
0	£90,000 - £94,999	1
1	£95,000 - £99,999	0
0	£100,000 - £104,999	1
1	£115,000 - £119,999	1
21	Total	21

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

\* One of these 21 employees left during the year, the number remaining in post at year end is 20.

The remuneration disclosures for designated Senior Officers (Corporate Management Team members) whose salary is also less than £150,000 but equal to or more than £50,000 per year are for 2015/2016:  
(The Council has no Senior Officers whose salary is £150,000 or more per year.)

2015/2016							
Post Title	Salary (including fees & allowances)	Expense allowance	Compensation for loss of office	Benefits in kind (car and medical insurance)	Total Remuneration excluding employers pension contributions	Employers Pension Contributions	Total Remuneration including pension contributions
	£	£	£	£	£	£	£
Executive Director	108,738	4,480	0	4,441	117,659	17,941	135,600
Director of Operations	92,306	4,480	0	4,113	100,899	14,985	115,884
Director of Finance and Resources	84,100	4,144	0	3,982	92,226	13,876	106,102

The comparative information for 2014/2015 is:

2014/2015							
Post Title	Salary (including fees & allowances)	Expense allowance	Compensation for loss of office	Benefits in kind (car and medical insurance)	Total Remuneration excluding employers pension contributions	Employers Pension Contributions	Total Remuneration including pension contributions
	£	£	£	£	£	£	£
Executive Director	107,096	4,409	0	4,201	115,706	17,670	133,376
Director of Operations	89,388	4,409	0	3,670	97,467	14,749	112,216
Director of Finance and Resources	81,572	3,969	0	3,685	89,226	13,459	102,685

#### Exit Packages

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

2015/2016				
(a)	(b)	(c)	(d)	(e)
Exit package cost band (including special payments)	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band [(b) + (c)]	Total cost of exit packages in each band
				£
£0 - £20,000	3	0	3	17,178

2014/2015				
(a)	(b)	(c)	(d)	(e)
Exit package cost band (including special payments)	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band [(b) + (c)]	Total cost of exit packages in each band
				£
£40,001- £60,000	1	0	1	48,543

### 38. 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 £374,825 were paid in 2015/2016 (2014/2015 £364,385). A detailed list of the allowances paid to each Member can be found on the Council's website and is summarised below:

2014/2015 £'000		2015/2016 £'000
249	Basic Allowance	259
97	Special Responsibility Allowance	97
13	Travelling and Subsistence Allowance	15
5	Internet Charges	3
<b>364</b>		<b>374</b>

### 39. External Audit Costs

The Council incurred the following costs in relation to the audit of the Statement of Accounts, statutory inspections, certification of grant claims and to non-audit services provided by the Council's external auditors:

2014/2015 £'000		2015/2016 £'000
71	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	54
13	Fees payable to external auditors for the certification of grant claims and returns for the year	20
2	Fees payable in respect of other services provided by external auditors during the year *	6
<b>86</b>		<b>80</b>

\*The fees for other services payable in 2015/2016 related to Skills Funding Agency funding and the Housing Capital Receipts claim.

## 40. Capital Grants and Contributions Income

The table below shows the capital grants and contributions credited to the Comprehensive Income and Expenditure Statement in 2015/2016. These were used to finance capital expenditure in the year or transferred to the Capital Grants Unapplied Account to be used for future financing.

### Capital Grants Unapplied Account

31 March 2015 Balance	2015/2016			31 March 2016 Balance
	Credited to Taxation and Non-Specific Grant Income	Used to Finance Capital Expenditure in Year	Other funding	
£'000	£'000	£'000	£'000	£'000
(1,781) Section 106 Contributions	(7)	927		(861)
(177) Other Contributions	(111)	68		(220)
0 REFFCUS (unused)	(34)			(34)
<b>(1,958)</b>	<b>(152)</b>	<b>995</b>	<b>0</b>	<b>(1,115)</b>

### Credited to Net Cost of Services

#### Revenue Expenditure Funded from Capital Under Statute (REFFCUS)

This is funding for spend on non-Council owned assets

2014/2015 Used to Finance Capital Expenditure in Year £'000	2015/2016		31 March 2016 Balance
	Credited to Service	Used to Finance Capital Expenditure in Year	
£'000	£'000	£'000	£'000
(285) Disabled Facilities Grant	(353)	319	(34)
(161) S106 Contributions	(43)	43	0
(597) Haslemere Leisure Centre	0	0	0
<b>(1,043)</b>	<b>(396)</b>	<b>362</b>	<b>(34)</b>

### Capital Grants Receipts in Advance

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

31 March 2015 Balance	2015/2016			31 March 2016 Balance
	Grant/ Contribution Received	Transferred to Non-Specific Grant Income	Transferred to Net Cost of Services	
£'000	£'000	£'000	£'000	£'000
(736) Section 106 Contributions	(130)	417	56	(393)
<b>(736)</b>	<b>(130)</b>	<b>417</b>	<b>56</b>	<b>(393)</b>

## 41. 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.

### Trusts

The Council has substantial interests in the Shottermill Recreation Ground Trust and the Ewart Bequest Trust. The relevant transactions are disclosed in the Group Accounts.

### Members and Officers

Members of the Council have direct control over the Council's financial and operating policies. 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 or individual with which the transaction took place. From the declarations received for 2015/2016, there were no material transactions identified.

Disclosures on Members' Allowances can be found in note 38. page 82 and Officers' Remuneration in note 37 page 80.

**Pension Fund** - is administered by Surrey County Council, details of the Pension Fund are shown in note 43 page 86.

### 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 (eg housing benefits). Details of the main transactions with Government Departments are set out in the note below.

### Main transactions with Government Departments

**Revenue grants on a cash basis:** (includes funding received via Surrey County Council)

2014/2015 £'000		2015/2016 £'000
(15,522)	Rent Allowances	(15,057)
(14,873)	Rent Rebates	(13,690)
(2,102)	Revenue Support Grant	(1,574)
(1,389)	New Homes Bonus	(1,668)
(875)	Retained Business Rates section 31 grants	(948)
(455)	Benefits Administration Subsidy	(430)
(327)	Supporting People	(208)
(197)	Personalisation and Prevention Partnership Funding	(180)
(40)	Troubled Families Funding	(132)
(75)	Waste recycling (total fund received in year)	(120)
0	Property Searches New Burdens Grant	(108)
(115)	Discretionary Housing Payments	(97)
(91)	Council Tax Freeze Grant	(91)
(99)	Countryside Grants	(74)
(37)	Electoral Registration Grant	(52)
(19)	Welfare reform	(22)
(196)	Balance of other minor grants received	(119)
<b>(36,412)</b>		<b>(34,570)</b>

### Revenue expenditure on a cash basis:

2014/2015 £'000		2015/2016 £'000
12,354	Retained Business Rates tariff payment	12,590



## 42. Leases

### The Council's activity as lessor:

#### Finance Leases

The Council has no material assets over which it has granted a finance lease as at 31 March 2016.

#### 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 2015 £'000		31 March 2016 £'000
961	Not later than one year	1,047
2,887	Later than one year and not later than five years	2,931
54,198	Later than five years	55,334
<hr/> <b>58,046</b> <hr/>		<hr/> <b>59,312</b> <hr/>

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

## 43. Defined Benefit Pension Schemes

### Participation in Pension Schemes

As part of the term 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 which is administered by Surrey County Council. Pensions are based on a proportion of final salaries according to length of service. From 1 April 2014 the scheme is based on a proportion of career-average salaries rather than a proportion of final salaries. The current scheme operates under the Local Government Pension Scheme 2014 Regulations.

In order to ensure that funds available 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 in addition backfunding payments are required to cover the shortfall relating to past service.

The figures disclosed below have been derived by Hymans Robertson, the Actuary to the Surrey Pension Fund, and have been carried out in accordance with the Pension Technical Actuarial Standard adopted by the Financial Reporting Council, which came into effect on 1 January 2013.

The Actuary has projected the valuation results of the latest formal valuation date forward to 31 March 2016 using approximation methods. The roll-forward allows for changes in financial assumptions, additional benefit accrual, estimated cash flows over the period and actual pension increase orders.

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.

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 Surrey County Council's Pension Fund can be found in the Pension Fund's Annual Report which is available from Surrey County Council, County Hall, Resources Department, Kingston-Upon-Thames, KT1 2EA (website [www.surreycc.gov.uk](http://www.surreycc.gov.uk)).

### 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.

2014/2015  
£'000

2015/2016  
£'000

**Comprehensive Income and Expenditure Statement**

Cost of Services:		
2,498	Current Service Cost	3,039
30	Past Service Cost	0
Financing and Investment Income and Expenditure:		
1,906	Net interest expense	1,588
<hr/>	<b>Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services</b>	<hr/>
<b>4,434</b>		<b>4,627</b>
<b>Other Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services</b>		
Remeasurement of the net defined benefit liability comprising:		
(8,135)	Return on plan assets (excluding the amount included in net interest expense)	1,953
0	Actuarial losses/(gains) arising on changes in demographic assumptions	0
12,703	Actuarial losses/(gains) arising on changes in financial assumptions	(7,161)
(1,257)	Other experience losses/(gains)	(2,019)
<hr/>	<b>Total remeasurement of the net defined benefit liability loss / (gain)</b>	<hr/>
<b>3,311</b>		<b>(7,227)</b>
<hr/>	<b>Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>	<hr/>
<b>7,745</b>		<b>(2,600)</b>

**Movement in Reserves Statement**

**General Fund Balance**

(3,301)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the code	(3,251)
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Actual amount charged against the General Fund Balance:

2,247	Employers' contributions payable to scheme	2,177
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**Housing Revenue Account Balance**

(1,133)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the code	(1,376)
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Actual amount charged against the HRA Balance for pensions in the year:

1,024	Employers' contributions payable to scheme	1,088
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## 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 2015		31 March 2016	
£'000		£'000	
(147,683)	Estimated liabilities in scheme	(141,696)	
95,797	Estimated assets in scheme *	95,675	
<b>(51,886)</b>	<b>Net asset/(liability) *</b>	<b>(46,021)</b>	

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The liability of £46million 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 2016 has been reduced from the Actuary's estimate by £564,000 to reflect the actual cumulative payments made to the Fund. The net liability shown here is therefore £564,000 higher than the actuarial figure of £45.457million.

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, as required under IAS19. Under the projected unit method, the current service cost will increase as the members of the scheme approach retirement.

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

31 March 2015		31 March 2016	
2.1%	Rate of Inflation *	2.1%	
3.5%	Rate of increase in salaries	3.6%	
2.1%	Rate of increase in pensions	2.1%	
3.1%	Rate for discounting scheme liabilities	3.4%	
25%/63%	Take-up of option to convert annual pension into retirement grant (pre/post 2008)	25%/63%	

\* The assumption is based on CPI

### Life Expectancy

Historic Life expectancy is based on the Fund's VitaCurves, with improvements in line with the CMI Model assuming the current rate of improvements has peaked and will converge to a long-term rate of 1.25% p.a.

Longevity:

31 March 2015			31 March 2016		
Males	Females		Males	Females	
22.5 years	24.6 years	Current Pensioners	22.5 years	24.6 years	
24.5 years	26.9 years	Future Pensioners *	24.5 years	26.9 years	

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

## Fund Assets

Assets in the County Council 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 2015		31 March 2016
Assets		Assets
£'000		£'000
	<b>Equity investments:</b>	
7,215	Consumer	7,731
5,216	Manufacturing	5,883
3,156	Energy & Utilities	2,704
6,171	Financial Institutions	6,878
3,388	Health & Care	3,392
4,600	Information Technology	5,212
	Other	142
	<b>Debt Securities:</b>	
3,506	Corporate Bonds (investment grade)	4,117
387	Corporate Bonds (non-investment grade)	255
2,169	UK Government	0
896	Other	128
3,614	<b>Private Equity *</b>	3,828
	<b>Real Estate:</b>	
6,078	UK Property	5,808
46	Overseas Property	755
	<b>Investment Funds &amp; Unit Trusts</b>	
28,055	Equities	25,052
9,003	Bonds	10,327
11,107	Other	11,920
	<b>Derivatives:</b>	
(14)	Interest Rate	0
(76)	Foreign Exchange	(580)
1,800	<b>Cash &amp; Equivalents</b>	2,687
<b>96,317</b>		<b>96,239</b>

\* All scheme assets have quoted prices in active markets, with the exception of the Private Equity assets marked

## Actuary's Estimated Movements in Deficit during the Year

2014/2015 £'000		2015/2016 £'000
(46,878)	Deficit at beginning of Year	(51,366)
1	Roundings	
(46,877)	Opening Position as at 31 March 2014 (Actuarial report)	(51,366)
(2,498)	Current Service Cost	(3,039)
(30)	Past Service Cost	0
3,103	Employer Contributions	3,165
153	Contributions in respect of Unfunded Benefits	144
(1,906)	Net Return on Assets	(1,588)
	Actuarial Remeasurements:	
8,135	Actual Return less Expected Return on Pension Scheme Assets	(1,953)
(12,703)	Changes in Financial Assumptions	7,161
1,257	Other Experience	2,019
(51,366)	<b>Deficit at end of Year</b>	<b>(45,457)</b>

## Reconciliation of Defined Benefit Obligation - Estimated by Actuary

2014/2015 £'000		2015/2016 £'000
132,955	Defined Benefit Obligation at beginning of Year	147,683
(1)	Roundings	
132,954	Opening Position as at 31 March 2014 (Actuarial report)	147,683
2,498	Current Service Cost	3,039
30	Past Service Cost	
5,404	Interest Cost	4,557
	Actuarial Losses:	
12,703	Changes in Financial Assumptions	(7,161)
(1,257)	Other Experience	(2,019)
699	Member Contributions	733
(5,195)	Estimated Benefits Paid	(4,992)
(153)	Estimated Unfunded Benefits Paid	(144)
147,683	<b>Defined Benefit Obligation at end of Year</b>	<b>141,696</b>

## Reconciliation of Fair Value of Employer Assets - Estimated by Actuary

2014/2015 £'000		2015/2016 £'000
86,077	Fair Value of Employer Assets at beginning of Year	96,317
3,498	Interest Income on Plan Assets	2,969
8,135	Actual Return less Expected Return on Pension Scheme Assets	(1,953)
3,103	Employer contributions	3,165
153	Contributions in respect of Unfunded Benefits	144
699	Member Contributions	733
(5,195)	Estimated Benefits Paid	(4,992)
(153)	Estimated Unfunded Benefits Paid	(144)
96,317	<b>Fair Value of Employer Assets at end of Year</b>	<b>96,239</b>

## Recognition in the Profit or Loss

31 March 2015 £'000		31 March 2016 £'000
2,498	Current Service Cost	3,039
5,404	Interest Cost	4,557
(3,498)	Expected Return on Employer Assets	(2,969)
30	Past Service Cost	0
<b>4,434</b>	<b>Total</b>	<b>4,627</b>

## Summary of Scheme Position over past Five Years - Actuarial Figures

	31 March 2012 £'000	31 March 2013 £'000	31 March 2014 £'000	31 March 2015 £'000	31 March 2016 £'000
Fair Value of Assets	75,378	85,761	86,077	96,317	96,239
<u>Less Present Value of Liabilities</u>	<u>(112,558)</u>	<u>(128,224)</u>	<u>(132,955)</u>	<u>(147,683)</u>	<u>(141,696)</u>
<b>Surplus/(Deficit) in Scheme</b>	<b>(37,180)</b>	<b>(42,463)</b>	<b>(46,878)</b>	<b>(51,366)</b>	<b>(45,457)</b>

## Projected Pension Expense for the Year to 31 March 2017

	31 March 2017	
	% of pay	£'000
Projected Current Service Cost	-26.3%	2,773
Income Interest on Plan Assets	30.8%	(3,253)
Interest cost on Scheme Obligations	-45.4%	4,789
<b>Total</b>	<b>-40.9%</b>	<b>4,309</b>

The Actuary estimates the Council's Employer's Contributions for the Year to 31 March 2017 will be £3,171,000.

## Maturity Profile of Defined Benefit Obligation

	Liability Split		Weighted Average Duration (years)*
	£'000	%	
Active Members	55,855	39.9%	23.3
Deferred Members	27,143	19.4%	22.3
Pensioner Members	56,942	40.7%	11.1
Total	139,940	100.0%	16.8

\* weighted average duration at previous formal valuation 31 March 2013.

## 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 2016	Approximate % increase to Employer Liability	Amount £'000
0.5% decrease in Real Discount Rate	9.0%	13,288
0.5% increase in the Salary Increase Rate	2.0%	3,228
0.5% increase in the Pension Increase Rate	7.0%	9,923
1 year increase in Member Life Expectancy	3.0%	4,251

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	141,696
0.5% decrease in Real Discount Rate	154,984
0.5% increase in Salary Increase Rate	144,924
0.5% increase in Pension Increase Rate	151,619
1 year increase in Member Life Expectancy	145,947

## 44. Provisions, Contingent Liabilities and Contingent Assets

At 31 March 2016 the Council has no material provisions, contingent liabilities or contingent assets. It does, however, have a Collection Fund provision of £860,000 for losses on backdated appeal costs considering those businesses which have lodged appeals. See also note 4 to the Collection Fund on page 105.



## Supplementary Financial Statements

Housing Revenue Account (HRA)

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 regulations. This may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

2014/2015 £'000		2015/2016 £'000	£'000
	<b>Expenditure</b>		
4,849	Repairs and Maintenance		5,267
3,950	Supervision and Management		5,320
268	Rent, Rates, Taxes and other charges		295
40	Negative Subsidy transfer to General Fund		9
15	Transitional funding of Supporting People		10
6,982	Depreciation, Impairment and Revaluations Losses of Non-Current Assets		9,017
16	Debt Management Costs		17
25	Movement in the allowance for Bad Debts		80
<b>16,145</b>	<b>Total Expenditure</b>		<b>20,015</b>
	<b>Income</b>		
(28,095)	Gross Dwelling rents		(28,981)
(321)	Non-Dwelling Rents		(349)
(544)	Charges for services and facilities		(587)
(128)	Contributions towards expenditure		(117)
<b>(29,088)</b>	<b>Total Income</b>		<b>(30,034)</b>
<b>(12,943)</b>	<b>Net Expenditure or Income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement</b>		<b>(10,019)</b>
(25,950)	Exceptional Item - Upward revaluation reversing previous loss on Non Current Assets *		(27,979)
436	HRA services share of Corporate and Democratic Core		513
593	HRA share of other amounts included in the whole authority Cost of Services but not allocated to specific services		590
<b>(37,864)</b>	<b>Net Expenditure or Income of HRA Services</b>		<b>(36,895)</b>
	<b>HRA share of the operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement:</b>		
(25)	(Gain)/Loss on disposal for HRA non-current assets		(1,756)
5,822	Interest payable and similar charges		5,822
(174)	Interest and Investment income		(245)
(26)	Investment Properties		(151)
490	Pensions Interest Cost and Expected return on Pensions Assets		472
(40)	Government Grant towards revenue expenditure		(56)
0	Capital Grants and Contributions		(474)
<b>(31,817)</b>	<b>(Surplus)/Deficit for the year on HRA Services</b>		<b>(33,283)</b>

Notes to the Housing Revenue Account are contained in pages 95-101.

\* The basis of valuation for dwelling stock is Existing Use Value (EUV) with a downward adjustment to reflect the use of properties for social housing. In 2010/2011 the Government revised the adjustment resulting in a considerable loss in the value of the dwelling stock. This downward revaluation was charged to the HRA Income and Expenditure Statement and then reversed out through the Movement on the HRA Statement. The current valuation of the stock shows an improvement in value and, therefore, the upward revaluation for 2015/2016 has also been put through the HRA Income and Expenditure Statement to partly offset the loss previously recognised, rather than taken to the Revaluation Reserve.

## Movement on the Housing Revenue Account Statement

2014/2015 £'000	2015/2016 £'000	£'000
(2,345) Balance on the HRA as at the end of the previous reporting period		(2,385)
(31,817) (Surplus)/Deficit on the HRA Income and Expenditure Statement	(33,283)	
29,985 Adjustments between accounting basis and funding basis under statute (note 3)	32,915	
(1,832) Net (increase) or decrease before transfers to or from reserves	(368)	
1,792 Transfers to or (from) reserves	154	
(40) (Increase) or decrease in year on the HRA		(214)
<b>(2,385) Balance on the HRA at the end of the current reporting period</b>		<b>(2,599)</b>

## Notes to the Housing Revenue Account

### 1. Housing Revenue Account - Asset Analysis

<b>2015/2016 Movements in number of Assets</b>	<b>As at 1 April 2015</b>	<b>Reclass- ifications</b>	<b>Additions</b>	<b>Disposals</b>	<b>As at 31 March 2016</b>
<b>Property, Plant and Equipment</b>					
Council Dwellings	4,859	6	12	(21)	<b>4,856</b>
Other Land and Buildings	759				<b>759</b>
Surplus Assets	0				<b>0</b>
<b>Total Property, Plant and Equipment</b>	<b>5,618</b>	<b>6</b>	<b>12</b>	<b>(21)</b>	<b>5,615</b>
Investment Properties	7				<b>7</b>
Assets Held for Sale	0				<b>0</b>
<b>Total HRA Assets</b>	<b>5,625</b>	<b>6</b>	<b>12</b>	<b>(21)</b>	<b>5,622</b>

<b>2014/2015 Movements in number of Assets</b>	<b>As at 1 April 2014</b>	<b>Reclass- ifications</b>	<b>Additions</b>	<b>Disposals</b>	<b>As at 31 March 2015</b>
<b>Property, Plant and Equipment</b>					
Council Dwellings	4,865	2	43	(51)	<b>4,859</b>
Other Land and Buildings (restated)	759				<b>759</b>
Surplus Assets	4	(4)			<b>0</b>
<b>Total Property, Plant and Equipment</b>	<b>5,628</b>	<b>(2)</b>	<b>43</b>	<b>(51)</b>	<b>5,618</b>
Investment Properties	7				<b>7</b>
Assets Held for Sale	0				<b>0</b>
<b>Total HRA Assets</b>	<b>5,635</b>	<b>(2)</b>	<b>43</b>	<b>(51)</b>	<b>5,625</b>

## Movements in 2015/2016

	<b>Council Dwellings</b>	<b>Other Housing Land &amp; Buildings</b>	<b>Vehicles, Plant and Equipment</b>	<b>Assets Under Construction</b>	<b>Total Housing Property, Plant and Equipment (not including Surplus)</b>	<b>Surplus Housing Assets</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost or Valuation</b>						
At 1 April 2015	357,108	3,799	7	2,660	<b>363,574</b>	0
Adjustments between cost/value and depreciation/impairment	(1,083)	(13)			<b>(1,096)</b>	
Adjusted 1 April 2015 balance	356,025	3,786	7	2,660	<b>362,478</b>	0
Additions/enhancements	9,252			2,302	<b>11,554</b>	
Revaluation increases/(decreases) recognised in the Revaluation Reserve		825			<b>825</b>	
Revaluation Increases/(decreases) recognised in the Net Cost of HRA Services	22,208				<b>22,208</b>	
Derecognition Disposals	(1,229)				<b>(1,229)</b>	
Other Reclassifications	231			(231)	<b>0</b>	0
At 31 March 2016	386,487	4,611	7	4,731	<b>395,836</b>	0
<b>Depreciation and Impairments</b>						
At 1 April 2015	(6,854)	(283)	(5)		<b>(7,142)</b>	0
Adjustments between cost/value and depreciation/impairment	1,083	13			<b>1,096</b>	0
Adjusted 1 April 2015 balance	(5,771)	(270)	(5)	0	<b>(6,046)</b>	0
Charge for 2015/2016	(5,972)	(194)			<b>(6,166)</b>	
Depreciation written out to the Revaluation Reserve		270			<b>270</b>	
Depreciation written out on revaluation to Net Cost of HRA Services	5,771				<b>5,771</b>	
Impairment (losses)/reversals recognised in the Revaluation Reserve					<b>0</b>	
Impairment (losses)/reversals recognised in the Net Cost of HRA Services	(2,850)				<b>(2,850)</b>	
Reclassifications					<b>0</b>	0
At 31 March 2016	(8,822)	(194)	(5)	0	<b>(9,021)</b>	0
<b>Balance Sheet amount at 31 March 2016</b>	<b>377,665</b>	<b>4,417</b>	<b>2</b>	<b>4,731</b>	<b>386,815</b>	<b>0</b>

## Movements in 2014/2015

	Council Dwellings	Other Housing Land & Buildings	Vehicles, Plant and Equipment	Assets Under Construction	Total Housing Property, Plant and Equipment (not including Surplus)	Surplus Housing Assets
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>						
At 1 April 2014	328,780	3,398	7	1,969	<b>334,154</b>	519
Additions/enhancements	9,468	22		691	<b>10,181</b>	
Revaluation increases/(decreases) recognised in the Revaluation Reserve	74	379			<b>453</b>	
Revaluation Increases/(decreases) recognised in the Net Cost of HRA Services	20,152				<b>20,152</b>	
Derecognition Disposals	(1,885)				<b>(1,885)</b>	
Other Reclassifications	519				<b>519</b>	(519)
At 31 March 2015	357,108	3,799	7	2,660	<b>363,574</b>	0
<b>Depreciation and Impairments</b>						
At 1 April 2014	(5,625)	(139)	(4)	0	<b>(5,768)</b>	(173)
Charge for 2014/2015	(5,771)	(157)	(1)		<b>(5,929)</b>	
Depreciation written out to the Revaluation Reserve		26			<b>26</b>	
Depreciation written out on revaluation to Net Cost of HRA Services	5,798				<b>5,798</b>	
Impairment (losses)/reversals recognised in the Revaluation Reserve	(30)	(13)			<b>(43)</b>	
Impairment (losses)/reversals recognised in the Net Cost of HRA Services	(1,053)				<b>(1,053)</b>	
Reclassifications	(173)				<b>(173)</b>	173
At 31 March 2014	(6,854)	(283)	(5)	0	<b>(7,142)</b>	0
<b>Balance Sheet amount at 31 March 2015</b>	<b>350,254</b>	<b>3,516</b>	<b>2</b>	<b>2,660</b>	<b>356,432</b>	<b>0</b>

## General Notes

### Valuation of Council Dwellings and other HRA Land and Buildings

The Council's Valuer carries out a full revaluation of 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 2015/2016, fifteen properties were sold through the right-to-buy scheme, six properties were staircased to 100%, and one property was sold on the open market, resulting in a gain on disposal of £1,755,575.

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 2015 £'000		1 April 2016 £'000
1,094,529	General Stock (including Fully Sheltered Dwellings) and Shared Ownership	1,181,786
<u>1,094,529</u>		<u>1,181,786</u>

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

2014/2015 £'000		2015/2016 £'000
<b>1. Adjustments between accounting basis and funding basis under regulations</b>		
<b>Transfers to/from the Capital Adjustment Account (CAA)</b>		
(158)	Depreciation on other HRA Assets	(194)
(5,771)	Depreciation on Council Dwellings (equal to MRA)	(5,972)
25,950	Reversal of upward revaluation reversing previous loss	27,979
(1,053)	Reversal of impairment loss	(2,850)
(16)	Reversal of movements in the fair value of Investment Properties	97
	Net of Gain/(Loss) on disposal of HRA non-current assets	
(1,885)	Amount of non-current assets written off on disposal to CAA	(1,229)
1,910	Sale proceeds (credited to the Capital Receipts Reserve)	2,985
25		1,756
5,929	Transfer depreciation to the Major Repairs Reserve	6,166
5,188	Capital charged against the HRA balance	5,743
0	Capital Grants and Contributions applied to capital expenditure	422
	Capital Grants and Contributions unapplied	52
(1,133)	Net charges made for retirement benefits in accordance with IAS19	(1,376)
1,024	Actual amount charged against the HRA Balance for pensions in the year	1,092
<b>29,985</b>		<b>32,915</b>
<b>2. Transfers to / from Earmarked Reserves</b>		
439	Net transfer to New Affordable Homes Reserve	1,779
1,789	Net transfer to Stock Improvement Reserve	(91)
(414)	Revenue funded from Major Repairs Reserve	(1,537)
(1)	Net Contribution to Uninsured Loss Reserve	(53)
(21)	Transfer to/(from) Revenue Grants Earmarked Reserve	56
<b>1,792</b>		<b>154</b>



#### 4. Analysis of the movement on the Major Repairs Reserve (MRR) during the year

2014/2015 £'000		2015/2016 £'000
(2,334)	<b>Balance Brought Forward as at 1 April</b>	(2,546)
(5,771)	Transfer into the MRR (equal to depreciation of HRA Assets)	(5,972)
4,993	MRA Capital Expenditure: Dwellings	4,453
414	Transfer to the Housing Revenue Account	1,537
(158)	Reversal of depreciation on non-dwellings	(194)
310	Transfer to the Stock Remodelling Reserve	0
(212)	Movement in Year	(176)
<b>(2,546)</b>	<b>Balance Carried Forward as at 31 March</b>	<b>(2,722)</b>

#### 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 reported in the Movement in Reserves Statement.

Following the start of self-financing in 2012/2013, for a transitional period of up to five years, guidance allows the former Major Repairs Allowance (MRA) calculation to be used as a reasonable estimated measure of depreciation on dwelling stock. For Accounting purposes, the Council currently accepts that the MRA is a reasonable estimate of depreciation and depreciates the HRA dwelling stock in line with the MRA calculation.

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

2014/2015 £'000		2015/2016 £'000
	<b>Capital Investment</b>	
9,468	Council Dwellings	9,252
22	Other Housing Land & Buildings	0
691	Assets Under Construction	2,302
<b>10,181</b>		<b>11,554</b>
	<b>Sources of finance</b>	
(5,188)	Revenue Contribution	(5,743)
0	Other Grant	(828)
0	Capital Receipts	(530)
(4,993)	Major Repairs Reserve	(4,453)
<b>(10,181)</b>		<b>(11,554)</b>

## 6. Capital Receipts received in year

2014/2015			2015/2016	
£'000			£'000	
1,220		Right-to-Buy		2,380
686		Other Buildings		619
5		Land		11
<b>1,911</b>				<b>3,010</b>

## 7. Rent Arrears

As at 31 March 2015			As at 31 March 2016		
Arrears	% of annual		Gross Annual	Arrears	% of
£'000	debit		Debit	£'000	annual
			£'000		
496	1.58%	Housing Stock	32,178	467	1.45%
2	1.11%	Shared Ownership	179	2	1.12%
498	1.58%		32,357	469	1.45%
<b>498</b>	<b>1.58%</b>	<b>Total Arrears</b>	<b>32,357</b>	<b>469</b>	<b>1.45%</b>

As at 31 March 2016, the balance of HRA provision for irrecoverable rent arrears was £170,000 (31 March 2015 £138,750)

## 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.

2014/2015 £'000		Business Rates £'000	2015/2016 Council Tax £'000	Total £'000
<b>INCOME</b>				
(85,976)	Council Tax Receivable	0	(88,315)	(88,315)
(36,271)	Business Rates Receivable	(35,792)	0	(35,792)
0	Council Tax credit balances	0	0	0
110	Transitional Protection Payments receivable	(11)	0	(11)
<b>(122,137)</b>	<b>Total Income</b>	<b>(35,803)</b>	<b>(88,315)</b>	<b>(124,118)</b>
<b>EXPENDITURE</b>				
<b>Apportionment of 2014/2015 Estimated Surplus distributed to the major preceptors in 2015/2016:</b>				
10	Central Government (Business Rates)	481	0	481
165	Waverley Borough Council	385	259	644
888	Surrey County Council	96	1,479	1,575
157	Surrey Police & Crime Commissioner	0	262	262
<b>1,220</b>		<b>962</b>	<b>2,000</b>	<b>2,962</b>
<b>Precepts, Demands and Shares:</b>				
17,164	Central Government (Business Rates)	18,366	0	18,366
24,644	Waverley Borough Council (incl. parishes)	14,692 *	11,132	25,824
65,660	Surrey County Council	3,673	64,437	68,110
11,015	Surrey Police & Crime Commissioner	0	11,406	11,406
<b>118,483</b>		<b>36,731</b>	<b>86,975</b>	<b>123,706</b>
<b>Charges to Collection Fund:</b>				
304	Increase in Allowance for Bad Debts	287	181	468
529	Increase in Provision for Appeals	1,082	0	1,082
181	Cost of Collection (Business Rates)	182	0	182
<b>1,014</b>		<b>1,551</b>	<b>181</b>	<b>1,732</b>
<b>(1,420)</b>	<b>(Surplus)/Deficit arising during the year</b>	<b>3,441</b>	<b>841</b>	<b>4,282</b>
(1,245)	(Surplus)/Deficit brought forward 1 April 2015	(551)	(2,114)	(2,665)
<b>(2,665)</b>	<b>(Surplus)/Deficit carried forward 31 March 2016</b>	<b>2,890</b>	<b>(1,273)</b>	<b>1,617</b>

\* From this £14,692,000 transfer to Waverley Borough Council, a tariff of £12,590,000 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	2014/2015		Ratio to Band D	Chargeable Dwellings	2015/2016	
	Band D equivalents	Average Council Tax £			Band D equivalents	Average Council Tax £
-	-	-	A (Disabled Relief)	5/9	-	-
590.19	389.5	1,078.15	A	6/9	626.24	413.3
1,828.56	1,408.0	1,257.84	B	7/9	1,944.41	1,497.2
6,415.89	5,646.0	1,437.53	C	8/9	6,687.69	5,885.2
9,870.87	9,772.2	1,617.22	D	9/9	10,091.21	9,990.3
8,200.03	9,922.1	1,976.60	E	11/9	8,245.46	9,977.0
6,168.34	8,820.7	2,335.98	F	13/9	6,187.15	8,847.6
7,553.21	12,462.8	2,695.37	G	15/9	7,605.77	12,549.5
1,826.18	3,615.8	3,234.44	H	18/9	1,854.09	3,671.1
<b>42,453.27</b>	<b>52,037.1</b>				<b>43,242.02</b>	<b>52,831.2</b>

Individual charges are calculated by estimating the amount of income required to be paid from the Collection Fund in the year to the Surrey Police & Crime Commissioner, Surrey County Council, Borough and Parish Councils (£86,975,013), dividing this by the total Band D equivalents shown above (52,831.2) and rounding for administrative purposes. The resultant average charge at Band D of £1,646.28 is then multiplied by the proportion specified for a particular band to give an individual amount due.

### 2. Business Rates

From April 2013 the Government has implemented a new system of localised Business Rates. Waverley now pays 50% of the Business Rates it collects to the Government, 10% to Surrey County Council and retains 40%. Waverley must also pay a tariff to the Government from the 40% that it retains, £12,590,041 in 2015/16, with the result that Waverley retains only some £1.1m from the £34.3m collected.

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 2015/2016 the standard national rate multiplier was 49.3p (2014/2015 48.2p) and the small business multiplier was 48.0p (2014/2015 47.1p).

The total rateable value of business premises in Waverley as at 31 March 2016 was £95,076,567 (compared with £95,856,930 on 31 March 2015).

### 3. Write-offs of Bad Debts

In 2015/2016, £47,819 of Council Tax arrears were written off to the Impairment Allowance for Bad Debts compared with £103,530 in 2014/2015. For Business Rates, £261,980 of arrears were written off to the Impairment Allowance for Bad debts compared to £115,973 in 2014/2015.

## 4. Allocation of Year-End Balances:

### Council Tax

The opening balance for the Council Tax element of the Collection Fund for 2014/2015 was a surplus of £2,113,753. Based on the estimated position in January 2015, a £2,000,000 surplus was distributed to the major preceptors in 2015/2016.

By the end of the 2015/2016 financial year, there was a £1,273,382 surplus on the Council Tax element of the Collection Fund. £1,370,000 will be distributed to the major preceptors during 2016/2017 in proportion to their demand on the fund in 2015/2016. The overpayment of £96,618 will be adjusted with major preceptors in 2017/2018 in proportion to the 2016/2017 demands on the Collection Fund.

	<b>Waverley Borough Council</b>	<b>Surrey County Council</b>	<b>Surrey Police &amp; Crime Commissioner</b>	<b>Total</b>
	£	£	£	£
Share of estimated £1,370,000 surplus	(175,402)	(1,014,947)	(179,651)	(1,370,000)
Share of £96,618 overpaid	12,363	71,788	12,467	96,618
<b>Net share of outturn</b>	<b>(163,039)</b>	<b>(943,159)</b>	<b>(167,184)</b>	<b>(1,273,382)</b>

### Business Rates

The opening balance for the Business Rates element of the Collection Fund for 2015/2016 was a surplus of £550,895.

In January 2016 the estimate of the final accumulated Business Rates position for 2015/2016 was a deficit of £1,977,776 and the Council advised precepting authorities accordingly for statutory 2016/2017 budget-setting purposes. At the end of the 2015/2016 financial year there was, however, a £2,889,591 deficit on the Business Rates element of the Collection Fund.

The Council will adjust for the estimated deficit of £1,977,776 during the 2016/2017 year based on the applicable proportions and the overstated amount of £911,815 will be adjusted against the 2017/2018 proportionate shares of non-domestic rate income.

	<b>Waverley Borough Council</b>	<b>Surrey County Council</b>	<b>Central Government</b>	<b>Total</b>
	£	£	£	£
Share of £1,977,776 deficit	791,110	197,778	988,888	1,977,776
Share of £911,815 overpaid	364,726	91,181	455,908	911,815
<b>Net share of outturn</b>	<b>1,155,836</b>	<b>288,959</b>	<b>1,444,796</b>	<b>2,889,591</b>

### Provision for backdated Business Rates appeal costs

The Council has a Collection Fund provision for the losses on backdated Business Rates appeal costs at 31 March 2016 as follows:

	<b>Waverley Borough Council</b>	<b>Surrey County Council</b>	<b>Central Government</b>	<b>Total</b>
	£	£	£	£
Share of £2,150,000 provision for backdated Business Rates appeal costs:	860,000	215,000	1,075,000	2,150,000



## 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.

2014/2015		Unrestricted Funds £'000	2015/2016 Endowment Funds £'000	Total Funds £'000
	<b>Incoming Resources</b>			
	Incoming Resources from generated funds			
(2)	Investment Income (Interest on cash balance)	(1)		(1)
	Incoming resources from charitable activities			
(40)	Grant from Waverley Borough Council			0
(16)	Management Fee	(144)		(144)
	Other incoming resources			
(3,580)	Assets given for use by the charity			0
(5)	Sale of gym equipment			0
<b>(3,643)</b>	<b>Total Incoming Resources</b>	<b>(145)</b>	<b>0</b>	<b>(145)</b>
	<b>Resources Expended</b>			
	Charitable activities			
1	Fees	7		7
2	Audit Fee	5		5
0	Management fee to Waverley Borough Council	91		91
36	Support costs	44		44
205	Contribution towards refurbishment			0
2,288	Depreciation and Impairment		243	243
<b>2,532</b>	<b>Total Resources Expended</b>	<b>147</b>	<b>243</b>	<b>390</b>
<b>(1,111)</b>	<b>Net incoming/outgoing resources</b>	<b>2</b>	<b>243</b>	<b>245</b>
	<b>Other recognised gains/losses</b>			
515	Gains/losses on revaluation of fixed assets			0
<b>(596)</b>	<b>Net Movement in Funds</b>	<b>2</b>	<b>243</b>	<b>245</b>
	<b>Reconciliation of Funds</b>			
(9,099)	Funds brought forward as at 1 April 2015	(159)	(9,536)	(9,695)
(596)	Net Movement in Funds	2	243	245
<b>(9,695)</b>	<b>Funds carried forward as at 31 March 2016</b>	<b>(157)</b>	<b>(9,293)</b>	<b>(9,450)</b>



## Balance Sheet as at 31 March 2016

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 2015		31 March 2016		
		Unrestricted Funds £'000	Endowment Funds £'000	Total £'000
	<b>Fixed Assets</b>			
9,163	Land and Buildings		9,008	9,008
373	Plant and Equipment		285	285
<u>9,536</u>	<b>Total Fixed Assets</b>	<u>0</u>	<u>9,293</u>	<u>9,293</u>
	<b>Current Assets</b>			
29	Debtors	12		12
179	Deposits with Waverley Borough Council	158		158
<u>208</u>		<u>170</u>	<u>0</u>	<u>170</u>
9,744	<b>Total Assets</b>	170	9,293	9,463
	<b>Less: Current Liabilities</b>			
(49)	Creditors	(13)		(13)
<u>9,695</u>	<b>Total Assets less Current Liabilities</b>	<u>157</u>	<u>9,293</u>	<u>9,450</u>
	<b>The Funds of the Charity:</b>			
(159)	Unrestricted Funds	(157)		(157)
(9,536)	Endowment Funds		(9,293)	(9,293)
<u>(9,695)</u>	<b>Total Charity Funds</b>	<u>(157)</u>	<u>(9,293)</u>	<u>(9,450)</u>

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 and were originally reflected in the Balance Sheet at the construction cost, however, since then the District Valuer has revalued the properties and the revaluations are reflected in the accounts below.

2014/2015		Unrestricted Funds £'000	2015/2016 Endowment Funds £'000	Total Funds £'000
£'000				
	<b>Incoming Resources</b>			
	Incoming Resources from generated funds			
(7)	Investment Income (Interest on cash balance)	(9)		(9)
(97)	Rental Income	(98)		(98)
(82)	Benefits Subsidy	(74)		(74)
<b>(186)</b>	<b>Total Incoming Resources</b>	<b>(181)</b>	<b>0</b>	<b>(181)</b>
	<b>Resources Expended</b>			
	Charitable activities			
11	Premises (Building Maintenance)	17		17
2	Audit Fee	2		2
73	Benefits paid	72		72
9	Support Costs	10		10
(109)	Depreciation and Revaluations		36	36
<b>(14)</b>	<b>Total Resources Expended</b>	<b>101</b>	<b>36</b>	<b>137</b>
<b>(200)</b>	<b>Net incoming/outgoing resources</b>	<b>(80)</b>	<b>36</b>	<b>(44)</b>
	<b>Other Recognised Gains</b>			
(254)	Gains on the revaluation of fixed assets			0
<b>(454)</b>	<b>Net Movement in Funds</b>	<b>(80)</b>	<b>36</b>	<b>(44)</b>
	<b>Reconciliation of Funds</b>			
(2,223)	Funds brought forward as at 1 April 2015	(1,103)	(1,574)	(2,677)
(454)	Net Movement in Funds	(80)	36	(44)
<b>(2,677)</b>	<b>Funds carried forward as at 31 March 2016</b>	<b>(1,183)</b>	<b>(1,538)</b>	<b>(2,721)</b>

## Balance Sheet as at 31 March 2016

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 2015		31 March 2016		Total
£'000		Unrestricted Funds £'000	Endowment Funds £'000	£'000
	<b>Fixed Assets</b>			
1,574	Other Land and Buildings - Trust dwellings		1,538	1,538
	<b>Current Assets</b>			
1,103	Deposits with Waverley Borough Council	1,186		1,186
	<b>Less: Current Liabilities</b>			
0	Creditors & Receipts in Advance	(3)		(3)
<b>1,103</b>	<b>Net Current Assets</b>	<b>1,183</b>	<b>0</b>	<b>1,183</b>
<b>2,677</b>	<b>Total Assets less Current Liabilities</b>	<b>1,183</b>	<b>1,538</b>	<b>2,721</b>
	<b>The Funds of the Charity:</b>			
(1,103)	Unrestricted Funds	(1,183)		(1,183)
(1,574)	Endowment Funds		(1,538)	(1,538)
<b>(2,677)</b>	<b>Total Charity Funds</b>	<b>(1,183)</b>	<b>(1,538)</b>	<b>(2,721)</b>

## 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 uncollectability.

**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.

**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.

**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 (EUUV)** This is a method of valuing property that achieves a valuation based on the current use of the asset.

**Existing Use Value - Social Housing (EUUV-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.

**Major Repairs Allowance (MRA)**

From 2001/2002 to 2011/2012 under the MRA (which was part of the Housing Revenue Account (HRA) subsidy calculation) the Government provided each authority with an estimate of the long-term average amount of capital resources required to maintain their housing stock in its current condition. As allowed under the guidance, the Council depreciated its HRA dwelling stock in line with the MRA. This was replaced in 2012/2013 by HRA self-financing, however, for a transitional period of five years a figure based on the MRA calculation can be used for depreciation.

**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.

**PWLB** Public Works Loans 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.

**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.

**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