

The Audit Findings for Waverley Borough Council

DRAFT

This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

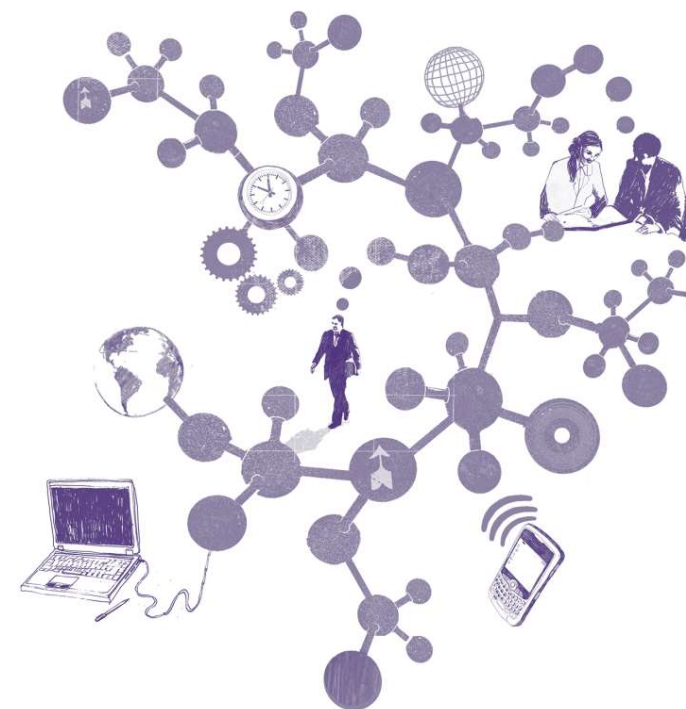
Year ended 31 March 2017

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Draft as at 17 July 2017

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Agenda Item 7.

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24 July 2017

Dear Members of the Audit Committee

Audit Findings for Waverley Borough Council for the year ending 31 March 2017

This Audit Findings report highlights the key findings arising from the audit that are significant to the responsibility of those charged with governance (in the case of Waverley Borough Council, the Audit Committee), to oversee the financial reporting process, as required by International Standard on Auditing (UK & Ireland) 260, the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice. Its contents have been discussed with management.

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

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements and giving a value for money conclusion. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Yours sincerely

Iain Murray

Engagement lead

Chartered Accountants

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Section 1: Executive summary



01. Executive summary
02. Audit findings
03. Value for Money
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05. Communication of audit matters

Purpose of this report

This report highlights the key issues affecting the results of Waverley Borough Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2017. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of ISA (UK&I) 260, and the Local Audit and Accountability Act 2014 ('the Act').

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. .

We are also required to consider other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report, whether it is consistent with the financial statements, apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or otherwise misleading.

We are required to carry out sufficient work to satisfy ourselves on whether the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion'). Auditor Guidance Note 7 (AGN07) clarifies our reporting requirements in the Code and the Act. We are required to provide a conclusion whether in all significant respects, the Council has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year.

The Act also details the following additional powers and duties for local government auditors, which we are required to report to you if applied:

- a public interest report if we identify any matter that comes to our attention in the course of the audit that in our opinion should be considered by the Council or brought to the public's attention (section 24 of the Act);

- written recommendations which should be considered by the Council and responded to publicly (section 24 of the Act);
- application to the court for a declaration that an item of account is contrary to law (section 28 of the Act);
- issue of an advisory notice (section 29 of the Act); and
- application for judicial review (section 31 of the Act).

We are also required to give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts under sections 26 and 27 of the Act.

Introduction

In the conduct of our audit we have not had to alter or change our audit approach, which we communicated to you in our Audit Plan dated 21 March 2017.

Our audit is substantially complete although we are finalising our procedures in the following areas:

- communications with the Surrey County Council pension fund auditor;
- our work on plant, property and equipment;
- our work on financial instruments;
- our work on reserves;
- residual queries on our other revenues work;
- final review of substantive audit procedures;
- review of the final version of the financial statements;
- obtaining and reviewing the management letter of representation;
- review of revised versions of the Annual Governance Statement; and
- updating our post balance sheet events review, to the date of signing the opinion.

We received draft financial statements and accompanying working papers at the commencement of our work, in accordance with the agreed timetable.

Key audit and financial reporting issues

Financial statements opinion

We anticipate providing an unqualified opinion in respect of the Council's 2016/17 financial statements, see Appendix B.

The key messages arising from our audit of the Group and Council's financial statements are:

- As in previous years your draft financial statements are of a very high standard and this is reflected by the minimal level of issues arising from our work.
- You provided us with a draft set of financial statements at the end of May, well in advance of the statutory deadline, which demonstrates that you are well placed to meet the earlier deadlines for producing draft financial statements in 2017/18 and enabled us to have early review of the draft financial statements.
- Your financial statements were also supported by an excellent set of working papers. This coupled with the early testing work that we were able to carry out during our interim audit has also helped us to move towards the earlier deadline for publishing audited accounts by 2017/18.

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None of the adjustments we identified had an impact on the Council's reported financial position. We identified a small number of adjustments to improve the presentation of the financial statements. Further details are set out in section two of this report.

Other financial statement responsibilities

As well as an opinion on the financial statements, we are required to give an opinion on whether other information published together with the audited financial statements is consistent with the financial statements. This includes if the AGS and Narrative Report is misleading or inconsistent with the information of which we are aware from our audit.

Based on our review of the Council's Narrative Report and AGS we are satisfied that they are consistent with the audited financial statements. We are also satisfied that the AGS meets the requirements set out in the CIPFA/SOLACE guidance and that the disclosures included in the Narrative Report are in line with the requirements of the CIPFA Code of Practice.

Controls

Roles and responsibilities

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council.

Findings

Our work has not identified any control weaknesses which we wish to highlight for your attention.

Further details are provided within section two of this report.

Value for Money

Based on our review, we are satisfied that, in all significant respects, the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

Further detail of our work on Value for Money are set out in section three of this report.

Other statutory powers and duties

We have not identified any issues that have required us to apply our statutory powers and duties under the Act.

Grant certification

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In addition to our responsibilities under the Code, we are required to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. At present our work on this claim is in progress and is not due to be finalised until 30 November 2017. We will report the outcome of this certification work through a separate report to the Audit Committee which is due in February 2018.

The way forward

Matters arising from the financial statements audit and our review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Director of Finance and Resources.

Acknowledgement

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Grant Thornton UK LLP
July 2017

Section 2: Audit findings

- 01. Executive summary
- 02. Audit findings**
- 03. Value for Money
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Materiality

In performing our audit, we apply the concept of materiality, following the requirements of ISA (UK&I) 320: Materiality in planning and performing an audit. The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As we reported in our audit plan, we determined overall materiality to be £1,629k (being 2% of the prior year gross revenue expenditure). We have considered whether this level remained appropriate during the course of the audit and have made no changes to our overall materiality.

We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £81k. This remains the same as reported in our audit plan.

As we reported in our audit plan, we have not identified any particular classes of transactions, account balances or disclosures where separate materiality levels are appropriate.

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK&I) 320)

Audit findings against significant risks

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
<p>The revenue cycle includes fraudulent transactions</p> <p>Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Waverley Borough Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including Waverley Borough Council, mean that all forms of fraud are seen as unacceptable. <p>We therefore do not consider this to be a significant risk for Waverley Borough Council.</p>	<p>Subject to the satisfactory completion of outstanding procedures set out on page 5, our audit work has not identified any issues in respect of revenue recognition.</p>
<p>Management over-ride of controls</p> <p>Under ISA (UK&I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • reviewed accounting estimates, judgements and decisions made by management; • reviewed journal entry processes; • tested journal entries; and • reviewed unusual significant transactions. 	<p>Our audit work has not identified any evidence of management over-ride of controls. In particular the findings of our review of journal controls and testing of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgements.</p>

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"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty." (ISA (UK&I) 315) . In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK&I) 550)

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses are attached at appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Operating expenses	Year end creditors and accruals are understated or not recorded in the correct period.	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> walkthrough of the operating expenses system to update our understanding; substantively tested operating expenditure transactions; tested creditor payments, including accruals, for completeness, classification and occurrence; reviewed control account reconciliations; and performed cut-off testing. 	Our audit work has not identified any significant issues in relation to the risk identified.
Employee remuneration	Employee remuneration accruals are understated.	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> walkthrough of the payroll system to update our understanding; substantively tested payroll transactions; performed trend analysis of employee remuneration expenses; and reviewed reconciliation of payroll system to the general ledger. 	Our audit work has not identified any significant issues in relation to the risk identified.

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"In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them." (ISA (UK&I) 315)

Audit findings against other risks continued

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Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p>Valuation of plant, property and equipment</p>	<p>The Council undertakes a rolling revaluation programme of its land and buildings.</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • walkthrough of the plant, property and equipment system to update our understanding; • reviewed management’s processes and assumptions for the calculation of the estimate; • reviewed the competence, expertise and objectivity of the valuer; • reviewed the instructions issued to the valuer and the scope of their work; • tested plant, property and equipment records to deeds; • reviewed the consistency of the financial statements with the valuation report from your valuer; • held discussions with your valuer about the basis on which the valuation is carried out and challenged key assumptions; • reviewed and challenged information used by the valuer to ensure it is robust and consistent with our understanding; • tested the data provided to the valuer; and • evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value. 	<p>Subject to the satisfactory completion of outstanding procedures set out on page 5, our audit work has not identified any significant issues in relation to the risk identified.</p>
<p>Valuation of pension fund net liability</p>	<p>The Council’s pension fund asset and liability, as reflected in its balance sheet, represent significant estimates in the financial statements.</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • identified the controls put in place by management to ensure the pension fund liability is not materially misstated. We assessed if the controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement; • reviewed the competence, expertise and objectivity of the actuary carrying out your pension fund valuation. Gained an understanding of the basis on which the valuation was carried out; • carried out procedures to confirm the reasonableness of the actuarial assumptions made; • reviewed the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report; and • tested the data provided to your actuary. 	<p>Subject to the satisfactory completion of outstanding procedures set out on page 5, our audit work has not identified any significant issues in relation to the risk identified.</p>

Audit findings against other risks continued

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p>Changes to the presentation of the local authority financial statements</p>	<p>CIPFA has been working on the 'Telling the Story' project, for which the aim was to streamline the financial statements and improve accessibility to the user and this has resulted in changes to the 2016/17 Code of Practice.</p> <p>The changes affect the presentation of income and expenditure in the financial statements and associated disclosure notes. A prior period adjustment (PPA) to restate the 2015/16 comparative figures is also required.</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> documented and evaluated the process for recording the required financial reporting changes to the 2016/17 financial statements; reviewed the reclassification of the Comprehensive Income and Expenditure Statement (CIES) comparatives to ensure that they are in line with your internal reporting structure; reviewed the appropriateness of the revised grouping of entries within the Movement in Reserves Statement (MiRS); tested the classification of income and expenditure for 2016/17 recorded within the Cost of Services section of the CIES; tested the completeness of income and expenditure by reviewing the reconciliation of the CIES to the general ledger; tested the classification of income and expenditure reported within the new Expenditure and Funding Analysis (EFA) note to the financial statements; and reviewed the new segmental reporting disclosures within the 2016/17 financial statements to ensure compliance with the CIPFA Code of Practice. 	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>

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Going concern

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

We reviewed the management's assessment of the going concern assumption and the disclosures in the financial statements and concluded that management have a reasonable expectation that the services they provide will continue for the foreseeable future.

Group audit scope and risk assessment



ISA (UK&I) 600 requires that as Group auditors we obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Significant?	Level of response required under ISA 600	Risks identified	Work completed	Assurance gained & issues raised
Shottermill Recreation Ground and Swimming Pool	No	Targeted	<ul style="list-style-type: none"> Property, plant and equipment (PPE) revaluation measures not correct; and Recorded cash at bank not valid. 	Specific (targeted) scope procedures performed by us: <ul style="list-style-type: none"> reviewed the relevant PPE balances to ensure they were recorded correctly; and agreed the relevant cash balance to external confirmations. 	Our audit work has not identified any issues in respect of Shottermill Recreation Ground and Swimming Pool's property, plant and equipment, and cash.
Bequest of Joseph Ewart	No	Targeted	<ul style="list-style-type: none"> Recorded cash at bank not valid. 	Specific (targeted) scope procedures performed by us: <ul style="list-style-type: none"> agreed the relevant cash balance to external confirmations. 	Our audit work has not identified any issues in respect of the Ewart Bequest's cash.

Accounting policies, estimates and judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

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Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<ul style="list-style-type: none"> • Revenue from the sale of goods is recognised when you transfer 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 you. • Income from the provision of services is recognised when you 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 you. • Income from non-exchange transactions is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to you, and the amount of revenue can be measured reliably. 	<p>The accounting policy is adequately disclosed in line with the requirements of the CIPFA Code.</p> <p>Our testing of your various revenue sources did not identify any instances of inappropriate revenue recognition.</p>	 GREEN
Judgements and estimates	<ul style="list-style-type: none"> • Key estimates and judgements include: <ul style="list-style-type: none"> – Useful life of capital equipment; – Pension fund valuations and settlements; – Impairments; – PPE revaluations ; – Depreciation; – Bad debt provisions; – Business rate appeals; – Funding levels; and – Group accounts. 	<p>Your critical judgements and estimation uncertainties are disclosed within Notes 3 and 4 of the financial statements, and are in line with the requirements of the CIPFA Code.</p> <p>We have reviewed all of your key estimates and judgements, and are satisfied with the approaches taken in each of these areas.</p>	 GREEN



Assessment

● Marginal accounting policy which could potentially attract attention from regulators
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● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient

Accounting policies, estimates and judgements continued

Accounting area	Summary of policy	Comments	Assessment
Going concern	The Director of Finance and Resources, s151 officer has a reasonable expectation that the services provided by the Council will continue for the foreseeable future. Members concur with this view. For this reason, the Council continue to adopt the going concern basis in preparing the financial statements.	We have reviewed the Council's assessment and are satisfied with management's assessment that the going concern basis is appropriate for the 2016/17 financial statements.	 GREEN
Other accounting policies	We have reviewed your accounting policies against the requirements of the CIPFA Code and accounting standards.	We have reviewed the Council's policies against the requirements of the CIPFA Code of Practice. The Council's accounting policies are appropriate and consistent with previous years.	 GREEN


Assessment

Other communication requirements

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

	Issue	Commentary
1.	Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any material incidents in the period and no other issues have been identified during the course of our audit procedures.
2.	Matters in relation to related parties	From the work we carried out, we have not identified any related party transactions which have not been disclosed.
3.	Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4.	Written representations	A standard letter of representation has been requested from the Council, which is appended in the Audit Committee papers.
5.	Confirmation requests from third parties	We obtained confirmation from the PWLB for loans and requested from management permission to send confirmation requests to several counterparties for bank and investment balances. This permission was granted and the requests were sent, and all of these requests were returned with positive confirmation.
6.	Disclosures	Our review found a small number of disclosures that required amendment or expanding, refer to page 23 for further detail.
7.	Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas. We have not identified any issues we would be required to report by exception in the following areas: <ul style="list-style-type: none"> • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit; • The information in the Narrative Report is materially inconsistent with the information in the audited financial statements or our knowledge of the Group/Council acquired in the course of performing our audit, or otherwise misleading.
8.	Whole of Government Accounts specified procedures	We are not required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions as the Council does not exceed the required threshold.

Internal controls

	Assessment	Issue and risk	Recommendations
1.	 Amber	<p>Related party transactions</p> <p>Every Member, Chief Officer and Head of Service is required to sign a related party transactions declaration to disclose any relationships with organisations/individuals which transact with the Council. Eight declarations were not received as at 17 July 2017. There is a risk that the Council does not identify material related party transactions in its financial statements.</p>	<p>We have requested that the Council includes a specific representation in its management representation letter to explain how it is assured that no material related party transactions are omitted from the 2016/17 financial statements.</p> <p>All Members and Senior Officers must ensure that signed related party transactions declarations are returned to the Finance team in line with the annual related party transactions declaration exercise. This is an important governance control which all involved must adhere to.</p>

Assessment

-  Significant deficiency – risk of significant misstatement
-  Deficiency – risk of inconsequential misstatement

"The purpose of an audit is for the auditor to express an opinion on the financial statements. Our audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters being reported are limited to those deficiencies that the auditor has identified during the audit and that the auditor has concluded are of sufficient importance to merit being reported to those charged with governance." (ISA (UK&I) 265)

Internal controls – review of issues raised in prior year

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1.	✓	<p>Housing Revenue Account (HRA) asset register</p> <p>The HRA asset register included five assets with a total value £297k, which had been demolished, converted or where ownership had transferred during the year. There is a risk that the HRA asset register does not correctly reflect the HRA asset base.</p>	<p>The Council now regularly reconcile the properties on the HRA asset register to the Orchard housing system.</p>
2.	✓	<p>Pension fund liability</p> <p>The actuary provided an incorrect estimation for 2015/16 benefits paid of £15,179k, the correct estimation value was £4,992k. The risk is that incorrect IAS 19 values provided by the actuary lead to a material misstatement of the Council's pension fund assets/liabilities.</p>	<p>The Council has implemented controls to review information provided by the actuary to ensure it is reasonable, in line with expectations, and comparable with the prior year if appropriate. We are satisfied that these controls are operating in practice.</p>
3.	✓	<p>Short term debtors and HRA rent arrears</p> <p>Our testing identified that the total HRA tenants rents and cost debtor disclosed in the financial statements as £540k agreed tot the trial balance from the general ledger but was not supported in full by the corresponding report from the Orchard housing system which shows a value of £455k. Officers were unable to provide a reconciliation for the £85k balance during the audit. There is a risk that the housing rent arrears debtor in the trial balance is misstated.</p>	<p>A reconciliation is carried out between the HRA tenants rent arrears control account and the Orchard rent system.</p>

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Assessment
 ✓ Action completed
 X Not yet addressed

Impact of uncorrected misstatements in the prior year

	Detail	Balance Sheet £'000	Adjustment made during the year
1	In 2015/16 we identified five assets, totalling £297k, which were incorrectly included in the Housing Revenue Account (HRA) asset register. These assets had been demolished, converted or transferred ownership during the financial year. Management decided not to adjust for this misstatement as it was not material to the 2015/16 financial statements.	Property, plant and equipment (297)	The fixed asset register has been updated to remove the five HRA assets.
	Overall impact	(297)	

Misclassifications and disclosure changes

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

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Minor disclosure improvements	Various		We agreed a small number of minor disclosure amendments with management to improve presentation and disclosure in the financial statements.

Section 3: Value for Money

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Background

We are required by section 21 of the Local Audit and Accountability Act 2014 ('the Act') and the NAO Code of Audit Practice ('the Code') to satisfy ourselves that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. The Act and NAO guidance state that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2016. AGN 03 identifies one single criterion for auditors to evaluate:

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

AGN03 provides examples of proper arrangements against three sub-criteria but specifically states that these are not separate criteria for assessment purposes and that auditors are not required to reach a distinct judgement against each of these.

Risk assessment

We carried out an initial risk assessment in March 2017 and identified two significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated 21 March 2017.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

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

Significant qualitative aspects

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

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations, across the three criteria, were:

Informed decision making

- The Council has strong arrangements in place to ensure robust financial governance, in particular there is an appropriate level of involvement from senior management and members in the financial management and annual budgeting processes. Our review of the 2017/18 budget confirms that you have applied all of the relevant considerations, and your medium term financial strategy (MTFS), covering the period 2016/17-2019/20, was updated in February 2017. In June 2017, following the Strategic Review, carried out in December 2016, the Council has conducted an initial stage review of the 2017/18 budget and the MTFS, updating them to take into account the observations made by the Review.

Sustainable resource deployment

- The Council's financial strategy identifies budget pressures in each of the three years to 2019/20. Beyond this period there is significant uncertainty around business rate and new homes bonus funding. The 2017/18 General Fund budget identified a £1.15m shortfall. This shortfall has been met by an increase in the 2017/18 council tax rates, growth schemes identified by the Council, and savings identified of over £1m in 2017/18. Whilst you have a proven track record of delivering savings over the past nine years, the identification of budget gaps remain a risk to the Council's medium term financial health.

Working with partners and third parties

- The Council has a number of partners that it works with to deliver its services and to provide back office functions. As the Council looks to further improve efficiencies and identify savings it is actively working to identify contracts that will be due for renewal in 2019 to ensure that appropriate procurement methods and forward plans are in place for renewal of major contracts.

We have set out more detail on the risks we identified, the results of the work we performed and the conclusions we drew from this work on pages 27-28.

Overall conclusion

Based on the work we performed to address the significant risks, we concluded that:

- the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources.

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

Key findings

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

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Significant risk identified at the planning stage	Work to address	Findings and conclusions
<p>Financial position The 2017/18 General Fund budget has a £1.15m shortfall. The Council's budget challenge process identified some proposals for cost savings, additional income and expenditure growth, all of which are subject to consideration by members. The financial strategy identifies budget pressures in each of the three years to 2019/20. Beyond this period there is significant uncertainty around business rate and new homes bonus funding.</p>	<p>We met with key officers to discuss key strategic challenges and the Council's response, and considered reports to members to: review the outturn position for 2016/17 and the budget plans for 2017/18 and 2018/19 review the Council's progress in updating its medium term financial strategy review how the Council works collaboratively with partners to deliver functions and services review how the Council is making the best use of its asset base</p>	<p>Your financial performance in 2016/17 remains sound and your outturn position was an underspend of £27k on the general fund and an underspend of £22k on the HRA.</p> <p>Your general fund position at the end of 2016/17 remains unchanged from the prior year and consistent with your overall medium term financial strategy to maintain the balance at £3.2m. To support the general fund position you continue to maintain a number of reserves which allow you to take a longer term view on the investments needed to deliver your strategic objectives and to provide some resilience against current and future financial challenges. The Council set up its Investment Advisory Board (IAB) during the year, a key step in addressing the Council's future budget gaps. The IAB considers all proposals that contribute to the delivery of the Council's Investment Strategy and meet the investment criteria.</p> <p>The HRA Business Plan, updated in February 2017, identifies that the Government implemented major changes to HRA finances in 2016 will lose the HRA around £300m over the 30-year life of the business plan. These changes include an imposed 1% per year rent reduction for the next four years, the impact of the sale of high value voids (from 2018/19), and welfare reforms (including Universal Credit). To partially offset the impact for 2017/18 the Council taken action which includes raising garage rates by 10%, increasing service charges for sheltered accommodation and heating reimbursement charges, and increasing rents for temporary accommodation and bed & breakfast.</p> <p>The impact of the 4 year settlement remains uncertain but the Council is clear that no funding will be received in years 3 and 4 of the settlement, and there is considerable uncertainty about the 'negative grant' of £800k in 2019/20 that the Government notified to the Council during the year. This uncertainty has been factored into the Council's existing plans as part of the fundamental financial review. Whilst the Council has a proven track record of delivering savings over the past nine years, the identification of general fund and HRA budget gaps remain a risk to the Council's medium term financial health. On that basis it is important that you continue to monitor progress to identify potential shortfalls as soon as possible so that mitigating actions may be taken.</p>

Key findings continued

Significant risk identified at the planning stage	Work to address	Findings and conclusions
<p>Brightwells development Following special Executive and Council meetings in May 2016 the development moved into its next phase. This is a high profile development for the Council with the ambition of providing benefits to the Council and residents of Farnham. The Council is awaiting the outcome of a judicial review on this development to determine future progress.</p>	<p>We reviewed the Council's arrangements to monitor the performance and governance of this project and how it continues to assess whether the development contributes to the effective delivery of its strategic objectives through discussion with officers and review of key documents.</p>	<p>The judicial review outcome was positive for the Council and enabled the scheme to progress as approved by Council in May 2016. The latest position is that the three parties, the Council, commercial funder Surrey County Council, and developer Crest Nicholson, are working towards an unconditional agreement.</p>

Section 4: Fees, non-audit services and independence

- 01. Executive summary
- 02. Audit findings
- 03. Value for Money
- 04. Fees, non audit services and independence**
- 05. Communication of audit matters

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

Fees

	Proposed fee £	Final fee £
Council audit	53,881	53,881
Shottermill Recreation Ground Trust	2,000	2,000
Bequest of Joseph Ewart	2,000	2,000
Grant certification (*)	11,381	TBC
Total audit fees (excluding VAT)	69,262	TBC

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The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA).

Grant certification

Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited. Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

*The work on the Council's Housing Benefit Return is still in progress at the report date, in line with the national timetable. Any fee variation in respect of this work will be discussed and agreed with the Council should the need arise, and will be reported to the Committee at a later date if applicable

Independence and ethics

Ethical Standards and ISA (UK&I) 260 require us to give you timely disclosure of matters relating to our independence. In this context, we disclose the following to you:

We are aware of the following relationship that might constitute a threat to our independence that we are required to report to you and those charged with governance. A family member of one of your councillors is an employee in the public sector assurance department of our London office. We employ the following safeguards to mitigate the risk to our independence as auditors:

- The employee has not worked on the Waverley Borough Council audit, and will not work on the Waverley Borough Council audit; and
- The audit files are held in a location with access rights limited to the Waverley Borough Council audit team.

We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to Waverley Borough Council.

Section 5: Communication of audit matters

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- 01. Executive summary
- 02. Audit findings
- 03. Value for Money
- 04. Other statutory powers and duties
- 05. Communication of audit matters**

Communication to those charged with governance

ISA (UK&I) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Findings, outlines those key issues and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<http://www.psa.co.uk/appointing-auditors/terms-of-appointment/>)

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to auditor's report, or emphasis of matter		✓
Unadjusted misstatements and material disclosure omissions		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern	✓	✓
Matters in relation to the Group audit including: Scope of work on components, limitations of scope on the group audit, fraud or suspected fraud	✓	✓

Appendices

A. Action Plan

B. Draft Audit Opinion

A. Action plan

Priority

Rec no.	Recommendation	Priority	Management response	Implementation date and responsibility
1	<p>Related party transactions</p> <p>We have requested that the Council includes a specific representation in its management representation letter to explain how it is assured that no material related party transactions are omitted from the 2016/17 financial statements.</p> <p>All Members and Senior Officers must ensure that signed related party transactions declarations are returned to the Finance team in line with the annual related party transactions declaration exercise. This is an important governance control which all involved must adhere to.</p>			

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- Controls**
- High – Significant effect on control system
 - Medium – Effect on control system
 - Low – Best practice

A: Audit opinion

We anticipate we will provide the Group with an unmodified audit report

[DRAFT] INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WAVERLEY BOROUGH COUNCIL

We have audited the financial statements of Waverley Borough Council (the "Authority") for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Group Comprehensive Income and Expenditure Statement, The Group Movement in Reserves Statement, Group Balance Sheet, the Group Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

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

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:
the financial statements present a true and fair view of the financial position of the Authority and Group as at 31 March 2017 and of the Authority's and Group's expenditure and income for the year then ended; and
the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the audited financial statements.

Matters on which we are required to report by exception

We are required to report to you if:
 in our opinion the Annual Governance Statement does not comply with the guidance included in ‘Delivering Good Governance in Local Government: Framework (2016)’ published by CIPFA and SOLACE; or
 we have reported a matter in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit; or
 we have made a written recommendation to the Authority under section 24 of the Act in the course of, or at the conclusion of the audit; or
 we have exercised any other special powers of the auditor under the Act.

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

Conclusion on the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

Respective responsibilities of the Authority and auditor

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

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

Scope of the review of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criteria as that

necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, we are satisfied that in all significant respects *the Authority* put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Act and the Code of Audit Practice.

[Signature]

Iain Murray
 for and on behalf of Grant Thornton UK LLP, Appointed Auditor

30 Finsbury Square
 London
 EC2A 1AG

[To be dated]



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Annual Financial Report 2016-2017

Graeme Clark CPFA
Strategic Director - Finance and Resources



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Waverley Borough Council – General Information

Telephone: 01483 523333
Website: 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: Council Offices, The Burys, Godalming, Surrey, GU7 1HR

Councillors in 2016/2017

Waverley Borough Council has 57 elected Councillors.

Leader Cllr J Potts
Deputy Leader Cllr T Martin

The Council is led by an Executive, which in 2016/2017 comprised the Leader of the Council and eight other Councillors, all from the majority political party. The Executive's responsibilities were divided into nine 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 wishes 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 2016/2017:

Corporate Strategy, Human Resources and LEP	Cllr J Potts
Economic Development	Cllr A Bolton
Customer and Corporate Services	Cllr T Martin
Planning	Cllr B Adams
Community Services	Cllr K Deanus
Health, Wellbeing and Culture	Cllr J Else
Finance Portfolio	Cllr G Hall
Environment Portfolio	Cllr J Edwards
Housing	Cllr C King

Management Board in 2016/2017

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

External Auditors in 2016/2017

Grant Thornton UK LLP
Engagement Lead: Iain Murray
Manager: Sophia Brown
Address: Grant Thornton
Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

*Waverley Borough Council
Statement of Accounts 2016/2017*

Narrative Report to the Statement of Accounts 2016/2017

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 2016 to 31 March 2017 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 2016/2017 the economic climate continued to affect Waverley's services with growth in service demands and increased income levels in some key areas such as land charges 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 due to strong demand. Relatively low and stable inflation helped to contain costs although interest rates also remained low, leading to correspondingly low percentage rate returns on investments. Even so budgeted interest income was exceeded. Collection rates on key income sources, council tax, business rates and rents, performed well against challenging targets although business rates collection fell short of target due to a number of changes to rateable values late in the year.

3. Major Events during 2016/2017

During the year there were a number of key decisions and developments in major capital projects that need to be referred to in the Narrative Report to the Statement of Accounts as they are relevant to the financial context of the Council.

Brightwells Regeneration Scheme – In May 2016 the Council agreed terms to progress this key major project to regenerate a large derelict area of Farnham, Waverley's largest town. As well as bringing major benefits to the town centre and wider Borough area, the Council will also generate a significant capital receipt and substantial annual income and this scheme will make a significant contribution towards securing Waverley's financial stability in the long term.

Investment Advisory Board – In October 2016 the Council established its Investment Advisory Board which will provide the governance framework for progressing property investment opportunities in the future. This is another key element in Waverley's financial strategy and during 2016/2017 the Board initiated and completed the acquisition of an Enterprise Centre in Farnham which will generate gross income of £300k per annum to support Council services.

New Affordable Homes – In 2016/2017 Waverley continued to invest its housing funds in providing new and improved Council-owned affordable homes in the Borough to help meet the high demand. During the year 20 new homes were completed and other major

schemes that will provide further homes took major steps forward. These schemes include Ockford Ridge, Wey Court and Nursery Hill.

Local Plan – In 2016/2017 Waverley submitted its Local Plan for inspection. This is a vital strategic document that was prepared following a major consultation and it sets out the long term plan for new housing, businesses and infrastructure in the Borough. Apart from the significant cost of the Local Plan process itself the Plan will influence other key financial aspects going forward including council tax, business rates and infrastructure spending.

Funding Reductions – In 2016/2017 Waverley suffered a 52% reduction in its Government grant and also had to withstand a forced 1% reduction in its housing rents which will continue for four years. In addition the Government revised its New Homes Bonus scheme which reduces funding to Waverley by £3million over the next three year period. These factors placed significant pressure on Waverley's financial plans and required a comprehensive budget review during the year. Action was taken to stay within budget in 2016/2017 and to set a balanced budget in 2017/2018.

4. Commentary on the Main Financial Statements for 2016/2017

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 2016/2017 has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/2017, 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.

4.1 Changes introduced by the 2016/2017 Code

The Code of Practice for 2016/2017 introduced a new Expenditure and Funding Analysis and related notes as detailed on page 47 in the main accounts. This was to enable readers of the accounts to see Waverley's spend over the service areas in accordance with the management structure.

4.2 The Core Financial Statements

Comprehensive Income and Expenditure Statement (CIES) (page 14)

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation or rents.

A new Expenditure Funding Analysis has been introduced to enable readers of the accounts to see how the figures in the CIES relate to annual expenditure funded from government grants, rents, council tax and business rates etc by stripping out transactions relating to accounting practices (see page 47).

For 2016/2017 information in the CIES and Expenditure and Funding Analysis is presented in the Council's management reporting structure for the first time in accordance with the 2016/2017 Code of Practice. This is a change from the Statement of Accounts for 2015/2016 and, therefore, prior period restatement notes are included at note 7 page 44.

The CIES shows the (surplus) or deficit in the year of providing council services in accordance with statutory accounting basis. Adjustments are then made, as detailed in note 10, to show the actual movement in reserves (usable and unusable) during the year in the Council's total Balance Sheet value as analysed in the Movement in Reserves Statement.

For 2016/2017 there was a surplus of £10.3million for the single entity CIES. This is compared to a surplus of £35.1million for 2015/2016, the main differences are shown below:

- In accordance with the Accounting Policies on page 35 changes in asset valuations are taken through the CIES. A large impairment on the Council Offices was incurred within the Customer and Corporate services area. Impairments are reversed out through the Movement in Reserves Statement (page 16).
- The HRA Dwelling stock suffered a downward revaluation in 2010/2011 as detailed on page 95. As the valuation of the stock has gone up in the following years the reversal has been credited back to the HRA. The £5.1million shown in the CIES is the final amount of the original loss to be reversed, compared to the £28.0million shown in 2015/2016 and is recognised in 'unusable' reserves.
- Sale of Council assets and rights of way over land generated a gain on disposal of £4.5million compared to £2.6million in 2015/2016, this was mainly from Right to Buy sales as detailed on page 98.

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 increased from £46.0million to £58.2million. A detailed explanation of this change is included in note 41 to the accounts on page 86.

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 (for example the upward revaluation of the dwelling stock).

Upward revaluations of £12.7million and valuation decreases of £2.1million netting to £10.6million 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 £37.1million, only downward revaluations or impairments on those assets with a balance in the Revaluation Reserve can be charged there.

The Movement in Reserves Statement (page 16)

This statement shows movement in the year on the different reserves held by the Council, analysed into usable reserves, those that can be applied to fund expenditure or reduce local taxation and other 'unusable' reserves which reflect the change in the Council's assets valuation and is not available to be spent.

The General Fund and the Housing Revenue Account (HRA) have approved minimum levels of working balance set out in the Council's Financial Strategy and HRA Business Plan. For the General Fund this is £3.2million and for the Housing Revenue Account £2million.

Balance Sheet (page 18)

The Balance Sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held. Reserves are reported in two categories – Usable Reserves and Unusable Reserves and are detailed below.

Usable Reserves

Usable Reserves are those reserves that the Council may use to provide services and fund expenditure in the year, 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 Council has usable reserves of £60.6million as summarised below:

Usable Reserves as at 31 March 2017		
See also note 29. Page 73.		
	General Fund	Housing Revenue Account
	£million	£million
Working Balance	3.2	2.0
Earmarked Reserves - these are set aside for specific purposes to meet items of future expenditure, the main ones being		
• Revenue Grants – where funding has been received for specific purposes but not spent	1.1	
• Asset investment	2.8	
• Financing of capital expenditure (Revenue Reserve Fund)	2.7	
• New Affordable Housing Reserve		12.3
• Stock Improvement Reserve		7.3
• Business Rates Retention equalisation Reserve	2.5	
• Other	2.4	1.1
Major Repairs Reserve		1.8
Sub Total	14.7	24.5
Capital grants unapplied Account - balance of capital grants and contributions received where the expenditure is yet to be incurred.	1.3	0.3
Capital receipts – receipts from the sale of assets		
• the Housing Revenue Account		19.8
Total	16.0	44.6

Unusable Reserves

Unusable reserves are not available to provide services but reflect the value of non-current assets (Property, Plant and Equipment, Investment Property, Heritage Assets and Intangible assets) and any movements in the year on their valuations. They are required to be held for statutory reasons and to comply with proper accounting practice and comprise:

- Revaluation Reserve – contains the gains and losses arising from changes in value of Property, Plant and Equipment & Intangible assets (see page 76).
- Capital Adjustment Account – absorbs the timing differences from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or addition to those assets under statutory provisions (see page 77).

Cash-flow Statement (page 19)

The Cash-flow Statement shows the changes in actual cash and cash equivalents of the Council during the reporting period. It takes the (Surplus)/Deficit on the Provision of

Services, eliminates any non cash transactions in the year from accounting entries, such as depreciation and accruals of expenditure and income etc which reflect the cost of providing the service, to show the movement in cash from ongoing operations. The cash impact of investing activities, such as asset additions and disposals, and financing activities, from treasury management decisions, is then added to show the movement in cash for the year for the whole Council.

Expenditure and Funding Analysis (page 47)

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

The Expenditure and Funding Analysis was introduced by The Code of Practice on Local Authority Accounting in the United Kingdom 2016/2017 and required a prior period restatement of service expenditure and income to be undertaken which can be seen at note 7 on page 44.

4.3 The Supplementary Statements

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.

Collection Fund (page 101) 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.

5. Financial Performance during the Year

During 2016/2017 net spending was managed within budgets.

5.1 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.

5.2 Housing Revenue Account (HRA)

The HRA operates with constantly changing and challenging service demands and, although it had to draw from the working balance, the balance remains above the minimum approved level.

5.3 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 2016/2017 year will be reported to the Executive in September 2017. A link to these reports is below:

<https://modgov.waverley.gov.uk/ieListMeetings.aspx?CIId=132&Year=0>

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

- Delivery of Service Plan actions was reported to the Overview and Scrutiny Committees in June 2017. 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/ieListDocuments.aspx?CIId=171&MIId=1887&Ver=4>

- 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=132&MIId=313&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 required 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% per annum rent cut for council tenants, the significant reduction in revenue support grant and the increase in car park revenues. Also as the Brightwells regeneration scheme progresses it will generate a substantial capital receipt in 2017/2018.

5.4 The Council's Key Strengths and Resources

Waverley has an excellent record of sound financial management which has been endorsed both by its external auditors and in an external Strategic Review in December 2016. 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 is undertaken every year with initiatives undertaken to understand and manage staff turnover whilst, optimising salary budgets.

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 creation of the Investment Advisory Board have put the Council in a stronger position to withstand the financial challenges it faces in the future.

5.5 Comprehensive Income and Expenditure compared to Budget

Expenditure and Funding Analysis – net expenditure chargeable to the General Fund and HRA balances	2016/2017 Budget			Actual As per EFA (page 47)
	General Fund	Housing Revenue Account	Total	
	£'000	£'000	£'000	£'000
General Fund				
Policy and Governance	2,489	592	3,081	3,043
Planning	1,962		1,962	2,532
Customer and Corporate	244		244	275
Finance	1,747	593	2,340	2,483
Community	3,399		3,399	3,381
Environment	1,894		1,894	1,504
General Fund Housing	931		931	849
Housing Revenue Account		(13,767)	(13,767)	(11,205)
Other Income and Expenditure	4,595	12,582	17,177	14,551
Waverley Spending Requirement	17,261	0	17,261	17,413
Financed by:				
Council Tax income	(11,887)		(11,887)	(11,798)
Government Grants	(3,373)		(3,373)	(3,378)
Business Rates	(2,001)		(2,001)	(2,237)
	(17,261)		(17,261)	(17,413)

5.6 Capital and Project 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 2016/2017 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.

Waverley managed its capital spending within budget in 2016/2017 and approved a number of rescheduling of spend profiles to future financial years to reflect the delays in the more complex projects where construction and procurement issues have arisen.

Expenditure Headlines 2016/2017	Latest Budget £'000	Capital Actual £'000	Transfer to Revenue £'000	Approved Reschedule £'000
General Fund	10,024	5,054	1,532	3,007
Housing Revenue Account	7,554	7,350	0	0
New Affordable Homes	7,793	2,203	750	3,279
Stock Remodelling	3,642	250	477	2,297
Total Expenditure	29,013	14,857	2,759	8,583

Financing of Capital Expenditure 2016/2017	Actual £'000
Grants and Other Contributions	792
Major Repairs Reserve	7,351
Capital Receipts	3,119
Revenue Reserves	3,595
Total Funding	14,857

5.7 Material Assets Acquired or Liabilities Incurred

During 2016/2017, the Council purchased The Marlborough Head in Farnham in furtherance of the Brightwells regeneration scheme. The other significant purchase was the Enterprise Centre, an industrial unit in Farnham (see page 1).

There were no material liabilities incurred in 2016/2017.

5.8 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 2017.

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

	1 April 2016 £'000	Movement in year £'000	31 March 2017 £'000
General Fund Working Balance	(3,200)	0	(3,200)
Revenue Reserve Fund	(1,524)	(1,162)	(2,686)
Housing Revenue Account Working Balances	(2,599)	571	(2,028)
New Affordable Housing Reserve	(7,381)	(4,896)	(12,277)
Dwelling Stock Improvement Reserve	(8,039)	727	(7,312)

Revenue Reserve Fund – this is a General Fund reserve used for financing capital expenditure and supporting revenue. The movement in year is made up of the contribution from revenue to the fund of £3.2million, less financing of capital and project spend of £1.1million and a transfer to the Investment Advisory Board of £0.9million. The balance on the fund will be used to meet some of the approved rescheduled General Fund capital and project expenditure identified in the table at 5.6 on page 8.

New Affordable Housing Reserve – the movement in year reflects the continuing investment from the Housing Revenue Account in delivering new affordable homes with a contribution of £7.1million into the reserve. Capital spend on new affordable homes in the year amounted to £2.2million. The balance on the reserve will be used to fund the approved rescheduled expenditure shown in the table at 5.6 on page 8 as well as delivering further new homes.

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 on the Council's website 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.

Graeme Clark
Strategic Director - 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 Strategic Director - 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 Strategic Director - 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 2016/2017 gives a true and fair view of the financial position of the Council and its income and expenditure for the year ended 31 March 2017.

Graeme Clark
Strategic Director - Finance and Resources
& Section 151 Officer

Councillor John Gray
Audit Committee (Chairman)

Dated:

Dated:

Financial Statements

Group Comprehensive Income and Expenditure Statement

Group Movement in Reserves Statement

Group Balance Sheet

Group Cash-Flow Statement

Group Comprehensive Income and Expenditure Statement (CIES)

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

2015/2016			2016/2017			
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
Continuing Operations						
General Fund (by Head of Service)						
4,075	(1,146)	2,929	Policy and Governance	4,371	(1,147)	3,224
4,400	(1,982)	2,418	Planning	4,636	(1,856)	2,780
618	(258)	360	Customer and Corporate ¹	4,199	(357)	3,842
33,306	(31,772)	1,534	Finance	32,236	(30,647)	1,589
8,420	(4,114)	4,306	Community	8,606	(4,261)	4,345
8,043	(6,011)	2,032	Environment	8,066	(6,502)	1,564
2,166	(1,210)	956	General Fund Housing	1,498	(585)	913
20,015	(30,034)	(10,019)	Housing Revenue Account (p94)	20,069	(30,128)	(10,059)
(27,979)	0	(27,979)	HRA Dwelling stock upward revaluation reversing previous loss ²	(5,096)	0	(5,096)
382	(171)	211	Subsidiaries (Trusts)	384	(156)	228
53,446	(76,698)	(23,252)	Net Cost of Services	78,969	(75,639)	3,330
Other Operating Expenditure						
		2,578	Precepts of Parish/Town Councils			2,763
		941	Contribution of Housing Capital Receipts to Government Pool			766
		(2,614)	(Gain)/Loss on disposal of non- current assets			(4,506)
Financing and Investment Income and Expenditure						
		5,659	Interest payable and similar charges			5,708
		1,588	Pension Interest Cost & Expected Return on Pension Assets (note 41)			1,536
		(474)	Interest and Investment Income			(490)
		(2,440)	Investment Properties (note 19)			(810)
Taxation and Non-Specific Grant Income & Expenditure (note 12)						
		(11,281)	Council Tax income			(11,798)
		(3,479)	Non-ringfenced Government grants			(3,378)
		(1,962)	Business Rates income and expenditure			(2,237)
		(152)	Capital grants and contributions			(979)
		(34,888)	(Surplus)/Deficit on Provision of Services			(10,095)
		(4,540)	(Surplus)/Deficit on revaluation of non-current assets (note 30)			(10,635)
		(7,227)	Remeasurement on Pension Fund Assets & Liabilities (note 41)			11,171
		(11,767)	Other Comprehensive Income and Expenditure			536
		(46,655)	Total Comprehensive Income and Expenditure			(9,559)

¹ Gross expenditure includes an impairment in the value of the Council Offices, the overall impairment loss was £5.1million, £3.2million was charged to Net Cost of Services and £1.9million the Revaluation Reserve.

² See HRA page 94

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.

2015/2016		2016/2017
£'000		£'000
(23,252)	Group Net Cost of Services	3,330
	Less Subsidiary transactions:	
	Net cost of Services	
(246)	Shottermill Recreation Ground	(238)
35	Ewart Bequest	10
(23,463)	Single Entity Net Cost of Services	3,102
(11,636)	Group Other Income and Expenditure	(13,425)
	Less Subsidiary transactions:	
1	Shottermill Recreation Ground	1
9	Ewart Bequest	9
(11,626)	Single Entity Other Income and Expenditure	(13,415)
(35,089)	(Surplus)/Deficit for the year on the Single Entity Comprehensive Income and Expenditure Statement	(10,313)

Group Movement in Reserves Statement 2016/2017

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

	Usable Reserves				Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves	Trust Reserves	Total Group Reserves
	General Fund Balances	Housing Revenue Account Balances	Capital Receipts Reserve	Capital Grants Unapplied Account					
	See note 29 £'000	See note 29 £'000	£'000	£'000	See note 29 £'000	See note 30 £'000	£'000	£'000	£'000
Balance at 31 March 2016	(14,077)	(21,564)	(16,538)	(1,115)	(53,294)	(247,160)	(300,454)	(12,171)	(312,625)
Movement in reserves during 2016/2017									
Total Comprehensive Income and Expenditure	2,374	(12,687)			(10,313)	536	(9,777)	218	(9,559)
Adjustments between accounting basis and funding basis under regulations (note 10)	(3,027)	9,749	(3,235)	(514)	2,973	(2,973)	0		0
(Increase)/Decrease in 2016/2017	(653)	(2,938)	(3,235)	(514)	(7,340)	(2,437)	(9,777)	218	(9,559)
Balance at 31 March 2017 (carried forward)	(14,730)	(24,502)	(19,773)	(1,629)	(60,634)	(249,597)	(310,231)	(11,953)	(322,184)

Group Movement in Reserves Statement 2015/2016 - comparative information

	General Fund Balances	Usable Reserves		Capital Grants Unapplied Account	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves	Trust Reserves	Total Group Reserves
	See note 29 £'000	Housing Revenue Account Balances See note 29 £'000	Capital Receipts Reserve £'000	£'000	See note 29 £'000	See note 30 £'000	£'000	£'000	£'000
Balance at 31 March 2015	(12,046)	(19,483)	(14,165)	(1,958)	(47,652)	(205,946)	(253,598)	(12,372)	(265,970)
Movement in reserves during 2015/2016									
Total Comprehensive Income and Expenditure	(1,806)	(33,283)			(35,089)	(11,767)	(46,856)	201	(46,655)
Adjustments between accounting basis and funding basis under regulations (note 10)	(225)	31,202	(2,373)	843	29,447	(29,447)	0		0
(Increase)/Decrease in 2015/2016	(2,031)	(2,081)	(2,373)	843	(5,642)	(41,214)	(46,856)	201	(46,655)
Balance at 31 March 2016 (carried forward)	(14,077)	(21,564)	(16,538)	(1,115)	(53,294)	(247,160)	(300,454)	(12,171)	(312,625)

Group Balance Sheet as at 31 March 2017

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 2016		31 March 2017		
Group £'000	Note	Single Entity £'000	Subsidiaries £'000	Group £'000
Property, Plant and Equipment				
377,665	13	390,072		390,072
90,331		79,819	10,354	90,173
3,559		3,055	200	3,255
545		516		516
364		364		364
2,500		3,660		3,660
6,388		4,235		4,235
481,352		481,721	10,554	492,275
14,667	19	17,328		17,328
1,224	20	1,276		1,276
439		433		433
1	22	4,041		4,041
29		28		28
497,712		504,827	10,554	515,381
Total Long-Term Assets				
Current Assets				
35,595	22	46,093		46,093
0		530		530
6		6		6
8,948	26	7,787	11	7,798
14,154	27	7,941	1,406	9,347
58,703		62,357	1,417	63,774
556,415		567,184	11,971	579,155
Total Current Assets				
Total Assets				
Current Liabilities				
(74)	22	(74)		(74)
(9,407)	28	(10,185)	(18)	(10,203)
(860)	42	(820)		(820)
(10,341)		(11,079)	(18)	(11,097)
Total Current Liabilities				
Long-Term Liabilities				
(187,035)	22	(187,035)		(187,035)
(46,021)	41	(58,205)		(58,205)
(393)		(634)		(634)
(233,449)		(245,874)	0	(245,874)
Total Long-Term Liabilities				
312,625		310,231	11,953	322,184
Net Assets				
Financed by:				
(54,634)	29	(60,634)	(1,399)	(62,033)
(257,991)	30	(249,597)	(10,554)	(260,151)
(312,625)		(310,231)	(11,953)	(322,184)
Total Reserves				

Group Cash-Flow Statement

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

2015/2016		2016/2017		
£'000		Single Entity £'000	Group Activities £'000	Group Total £'000
	Note			
(34,888)	Net (Surplus)/Deficit on the Provision of Services *	(10,313)	218	(10,095)
19,814	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	(13,252)	(280)	(13,532)
4,994	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	8,589		8,589
(10,080)	Net Cash-flows from Operating Activities	(14,976)	(62)	(15,038)
7,358	Investing Activities	19,704		19,704
3,709	Financing Activities	141		141
987	Net (increase)/decrease in Cash and Cash Equivalents	4,869	(62)	4,807
15,141	Cash and Cash Equivalents at the beginning of the reporting period	12,810	1,344	14,154
14,154	Cash and Cash Equivalents at the end of the reporting period	7,941	1,406	9,347
(987)	Movement in Cash increase/(decrease)	(4,869)	62	(4,807)

* See Group Comprehensive Income and Expenditure Statement page 14.

For notes on the Group Cash-Flow Statement see notes 31-34.

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 2016/2017 financial year and its position at the year-end on 31 March 2017. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/2017 (the Code), supported by International Financial Reporting Standards (IFRS).

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

The Group Accounts consolidate the accounts of the Shottermill Recreation Ground Trust and the Ewart Bequest (see 1.24). 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 on the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- 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 £1,000.
- Where the amount of an item of revenue or expenditure relating to the financial year is not known at the 31 March, estimation techniques are applied to ensure that the accounts reflect the most likely position.

1.3 Council Tax and Business Rates

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

Accounting for Council Tax and Business Rates

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

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

1.4 Cash and Cash Equivalents

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

Cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management. Bank overdrafts will also form part of cash and cash equivalents where the bank balance fluctuates between cash in hand and cash overdrawn between years.

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

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

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

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

1.6 Charges to Revenue for Non-Current Assets

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

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

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

The Council is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisation. 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.

1.7 Employee Benefits

Benefits Payable during Employment

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

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 a corporate service segment in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructure.

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

Post Employment Benefits

Most employees of the Council are members of the statutory Local Government Pension Scheme administered by Surrey County Council. 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 2.5% in 2016/2017.
- The assets of the Pension Fund attributed to the Council are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value

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

- Service cost comprising
 - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
 - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of the Finance service segment. Annual pension increases are calculated using CPI.
 - net interest on the net defined benefit liability (asset), ie net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period - taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Remeasurements comprising
 - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
 - actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as other Comprehensive Income and Expenditure.

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

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

Discretionary Benefits

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

1.8 Events after the Reporting Period

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

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

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

1.9 Financial Instruments

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 on the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

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

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 on 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.

1.10 Government Grants and Contributions

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

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

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

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

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund or Housing Revenue Account Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

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

1.11 Heritage Assets

Heritage assets are assets held and maintained principally for their contribution to knowledge and culture and are intended to be preserved in trust for future generations because of their cultural, historical, artistic, scientific, technological,

geophysical or environmental associations. Provided that they meet this definition, heritage assets can be tangible such as historic buildings, civic regalia, museum collections and works of art or intangible such as recordings of historical events.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment 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 1.18 page 33 in this Statement of Main Accounting Policies. If a heritage asset is disposed of, the proceeds would be accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment.

Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (see 1.18 page 37).

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

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 1.18 on page 36.

1.12 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 had during 2016/2017 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.

1.13 Interests in Companies and Other Entities

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

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.

1.14 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.

1.15 Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale. In such cases the asset is then accounted for as property, plant and equipment.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, Investment Properties are measured at highest and best use. They are not depreciated but are revalued annually, by the Council's 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.

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

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

1.17 Overheads and Support Services

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

1.18 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 of land and building assets, 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 current value measurement base is fair value, estimated at highest and best use from a market participant's perspective.

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

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) <http://www.rics.org/uk/> Statement of Asset Valuation Practice and Guidance Notes (Red Book) as supplemented by the Manual of Valuation (White Book) by the Council's 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 2016/2017 depreciation has been charged in accordance with proper practices. However, as 2016/2017 is the final year of a five year transitional period between use of a notional Major Repairs Allowance (MRA) and a depreciation charge based on proper practices, a permitted adjustment has been made to offset the difference such that the notional MRA becomes the effective charge against the Housing Revenue Account (HRA).
- 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.

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 2016/2017, 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 capital receipts relating to housing disposals is payable to the Government. The balance of receipts remains within the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow. 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.

1.19 Provisions, Contingent Liabilities and Contingent Assets

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

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

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

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

There are no material potential settlements outstanding as at 31 March 2017 that would require treating as a provision as described above. However, the Council has made a Collection Fund provision of £820,000 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 2016/2017 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 on the Balance Sheet but disclosed in a note to the accounts.

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

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

1.20 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred it is charged to the appropriate service in that year against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back to the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets and retirement benefits - they do not represent usable resources for the Council. These reserves are detailed in the notes to the financial statements on page 75.

1.21 Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of Council-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.

1.22 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.

1.23 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.

1.24 Group Accounts

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

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

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

Basis of Consolidation: The Group Accounts have been prepared on the basis of a full consolidation of the financial transactions and balances of the Council, the Shottermill Recreation Ground Trust and the Ewart Bequest, each having a year-end of 31 March 2017.

The assets of the trust are revalued in line with the accounting policies at 1.18.

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 2017 are included on pages 106 to 109 for information.

The full charity accounts are subject to audit/review according to audit thresholds. For the 2016/2017 accounts both the Shottermill Recreation Ground Trust and the Ewart Bequest are subject to independent review. The accounts can be obtained from the Charity Commission website:

<http://apps.charitycommission.gov.uk/showcharity/registerofcharities/RegisterHomePage.aspx> or Waverley Borough Council.

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

The Council is required to disclose information relating to the impact of an accounting change required by a new standard that has been issued, but not yet adopted, in the 2016/2017 Code.

For the 2016/2017 accounts the accounting changes to disclose are in relation to the disclosures for Defined Benefit Pension Funds as follows:

- An amendment to the reporting of pension fund scheme transaction costs (see paragraph 6.5.5.1w of the 2017/2018 Code).
- An amendment to the reporting of investment concentration (see paragraph 6.5.5.1m of the 2017/2018 Code).

These accounting changes 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 is prepared on a Group Accounts basis incorporating the Council's single entity accounts and the accounts of the Trusts (see Accounting Policies on page 40). 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.

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

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

The items in the Council's Balance Sheet at 31 March 2017 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 41 Defined Benefit Pension Schemes on page 92.

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 professional judgement is required. These judgements typically include considerations such as uncertainty and risk. However, changes in assumptions used could affect the fair value of the authority's assets and liabilities.

Although not material, the Council has also made Collection Fund provision of £820,000 for the costs of backdated Business Rates Appeals. (see also Note 42 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 or set out in the notes.

6. Events after the Reporting Period

The Statement of Accounts was authorised for issue on 9th June 2017 by Mr Graeme Clark, Strategic Director - 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 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There were no significant material events which took place after 31 March 2017 which (although not relating to conditions at that date) provided information that is relevant to an understanding of the Council's financial position at that date.

7. Group Prior Period Restatement of Service Expenditure and Income

Expenditure on services and income relating to or derived from those services is classified in the Comprehensive Income and Expenditure Statement in accordance with the CIPFA Code of Local Authority Accounting in the UK. The 2016/2017 Code requires that authorities present expenditure and income on services on the basis of its reportable segments. These reportable segments are based on the Council's internal management reporting structure. This is a change from the previous requirement to present expenditure and income in accordance with the Service Expenditure Code of Practice (SERCOP). This note shows how the net expenditure and income has been restated.

2015/2016 Restated Gross Expenditure

	Reportable segments									Net Expenditure as reported in the Comprehensive Income and Expenditure Statement 2015/2016 £'000
	Policy and Governance	Planning	Customer and Corporate	Finance	Community	Environment	General Fund Housing	Housing Revenue Account	Subsidiaries (Trusts)	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
SERCOP service line										
Central Services to the Public	933			1,181	210	98				2,422
Cultural and Related Services					4,484			255		4,739
Environmental & Regulatory Services	329		196		134	6,326				6,985
Planning Services		4,400	374		2,399	79				7,252
Highways and Transport Services			48		116	1,540				1,704
Housing Revenue Account (p94)								20,015		20,015
HRA Dwelling stock upward revaluation reversing previous loss *								(27,979)		(27,979)
Other Housing Services				31,480	141		2,166		127	33,914
Adult Social Care					936					936
Corporate and Democratic Core	2,813			19						2,832
Non-Distributed Costs				626						626
Net Cost of Services	4,075	4,400	618	33,306	8,420	8,043	2,166	(7,964)	382	53,446

* See HRA page 94

2015/2016 Restated Gross Income

	Reportable segments									Net Expenditure as reported in the Comprehensive Income and Expenditure Statement 2015/2016 £'000
	Policy and Governance	Planning	Customer and Corporate	Finance	Community	Environment	General Fund Housing	Housing Revenue Account	Subsidiaries (Trusts)	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
SERCOP service line										
Central Services to the Public	(803)			(429)		(6)				(1,238)
Cultural and Related Services					(1,390)			(9)		(1,399)
Environmental & Regulatory Services	(263)				(13)	(1,681)				(1,957)
Planning Services		(1,982)	(258)		(1,987)	(17)				(4,244)
Highways and Transport Services						(4,307)				(4,307)
Housing Revenue Account (p94)								(30,034)		(30,034)
Other Housing Services				(31,307)	(43)		(1,210)		(162)	(32,722)
Adult Social Care					(681)					(681)
Corporate and Democratic Core	(80)			(36)						(116)
Non-Distributed Costs										0
Net Cost of Services	(1,146)	(1,982)	(258)	(31,772)	(4,114)	(6,011)	(1,210)	(30,034)	(171)	(76,698)

2015/2016 Restated Net Expenditure

	Reportable segments									Net Expenditure as reported in the Comprehensive Income and Expenditure Statement 2015/2016 £'000
	Policy and Governance	Planning	Customer and Corporate	Finance	Community	Environment	General Fund Housing	Housing Revenue Account	Subsidiaries (Trusts)	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
SERCOP service line										
Central Services to the Public	130			752	210	92				1,184
Cultural and Related Services					3,094				246	3,340
Environmental & Regulatory Services	66		196		122	4,644				5,028
Planning Services		2,418	116		411	63				3,008
Highways and Transport Services			48		116	(2,767)				(2,603)
Housing Revenue Account (p94)								(10,019)		(10,019)
HRA Dwelling stock upward revaluation reversing previous loss *								(27,979)		(27,979)
Other Housing Services				173	98		956		(35)	1,192
Adult Social Care					255					255
Corporate and Democratic Core	2,733			(17)						2,716
Non-Distributed Costs				626						626
Net Cost of Services	2,929	2,418	360	1,534	4,306	2,032	956	(37,998)	211	(23,252)

* See HRA page 94

8. Expenditure and Funding Analysis

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

2015/2016			2016/2017		
Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£'000	£'000	£'000	£'000	£'000	£'000
General Fund (by Head of Service)					
2,728	(201)	2,929	3,043	(181)	3,224
2,148	(270)	2,418	2,532	(248)	2,780
1,711	1,351	360	275	(3,567)	3,842
2,399	865	1,534	2,483	894	1,589
3,420	(886)	4,306	3,381	(964)	4,345
1,908	(124)	2,032	1,504	(60)	1,564
891	(65)	956	849	(64)	913
(14,297)	(4,278)	(10,019)	(11,205)	(1,146)	(10,059)
0	27,979	(27,979)	0	5,096	(5,096)
908	24,371	(23,463)	2,862	(240)	3,102
(5,020)	6,606	(11,626)	(6,453)	6,962	(13,415)
(4,112)	30,977	(35,089)	(3,591)	6,722	(10,313)
Opening Balances as at 1 April 2016					
(12,046)			(14,077)		
(19,483)			(21,564)		
(31,529)			(35,641)		
Surplus or Deficit in year					
See MiRS page 16 Net (Increase)/Decrease before Transfers to Earmarked Reserves:					
(2,031)			(653)		
(2,081)			(2,938)		
Closing Balances as at 31 March 2017					
(14,077)			(14,730)		
(21,564)			(24,502)		
(35,641)			(39,232)		

* See HRA page 96

For notes on the Expenditure and Funding Analysis see notes 8A to 9

8A. Note to the Expenditure and Funding Analysis

Adjustments from the General Fund and HRA to arrive at the Comprehensive Income and Expenditure Statement amounts	2016/2017			Total Adjustments £'000
	Adjustments for Capital Purposes	Net Charge for the Pension Adjustments	Other Differences	
	Note 1	Note 2	Note 3	
	£'000	£'000	£'000	
General Fund				
Policy and Governance	(21)	(160)		(181)
Planning	(5)	(243)		(248)
Customer and Corporate Services	(3,548)	(19)		(3,567)
Finance	(13)	907		894
Community	(824)	(140)		(964)
Environment	51	(111)		(60)
General Fund Housing	0	(64)		(64)
Housing Revenue Account	(1,499)	353		(1,146)
HRA Dwelling stock upward revaluation reversing previous loss	5,096			5,096
Net Cost of Services	(763)	523	0	(240)
Other income and expenditure from the Expenditure and Funding Analysis	8,314	(1,536)	184	6,962
Difference between Surplus or Deficit and Comprehensive Income & Expenditure Statement (Surplus) or Deficit on the Provision of Services	7,551	(1,013)	184	6,722

Adjustments from the General Fund and HRA to arrive at the Comprehensive Income and Expenditure Statement amounts	2015/2016			Total Adjustments £'000
	Adjustments for Capital Purposes	Net Charge for the Pension Adjustments	Other Differences	
	Note 1	Note 2	Note 3	
	£'000	£'000	£'000	
General Fund				
Policy and Governance	0	(201)		(201)
Planning	(2)	(268)		(270)
Customer and Corporate Services	1,372	(21)		1,351
Finance	(11)	876		865
Community	(729)	(157)		(886)
Environment	(2)	(122)		(124)
General Fund Housing	4	(69)		(65)
Housing Revenue Account	(4,466)	188		(4,278)
HRA Dwelling stock upward revaluation reversing previous loss	27,979			27,979
Net Cost of Services	24,145	226	0	24,371
Other income and expenditure from the Expenditure and Funding Analysis	9,681	(1,588)	(1,487)	6,606
Difference between Surplus or Deficit and Comprehensive Income & Expenditure Statement (Surplus) or Deficit on the Provision of Services	33,826	(1,362)	(1,487)	30,977

Note 1 - Adjustments for Capital Purposes

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

- **Other Operating Expenditure** - adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **Financing and investment income and expenditure** - the statutory charges for capital financing are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and non-specific grant income and expenditure** - capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Note 2 - Net Charge for the Pension Adjustments

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

- For **services** this represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs.
- For **Financing and investment income and expenditure** - the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

Note 3 - Other Differences

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

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

8B. Segmental Income (Single Entity)

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

2015/2016 £'000		2016/2017 £'000
	Income from Services	
(4,251)	Environment	(4,636)
(28,981)	Housing Revenue Account	(28,763)
(33,232)	Total	(33,399)

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

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

2015/2016 £'000		2016/2017 £'000
	Expenditure/Income	
	Expenditure	
19,825	Employee benefits expenses	18,852
55,690	Other service expenses	54,672
(1,495)	Support Service recharges *	(1,054)
(17,865)	Depreciation, amortisation & impairment	8,157
5,669	Interest payments	5,718
2,578	Precepts and levies	2,763
941	Payment to Housing Capital Receipts Pool	766
65,343	Total Expenditure	89,874
	Income	
(47,922)	Fees, charges and other service income	(46,271)
(1,194)	Interest and Investment Income	(1,204)
(11,281)	Income from Council Tax, Non-domestic rates	(11,798)
(33,553)	Government Grants and Contributions	(33,045)
(1,962)	Business Rates distribution	(2,237)
(152)	Capital grants and contributions	(979)
(2,614)	(Gain)/Loss on disposal of non-current assets	(4,506)
(1,754)	Gain on fair value of Investment Properties	(147)
(100,432)	Total Income	(100,187)
(35,089)	(Surplus) or Deficit on the Provision of Services	(10,313)

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

10. 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.

Adjustments between accounting basis and funding basis under regulations						
2016/2017	Usable Reserves					Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments to the Revenue Resources						
Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:						
Pensions costs (transferred to or from the Pensions Reserve) (see note 41)	(1,026)	13				(1,013)
Council Tax and NNDR (transfers to or from Collection Fund Adjustment Account)	184					184
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):						
Depreciation of Property, Plant and Equipment	(998)		(6,599)			(7,597)
Impairment losses & reversals on Property, Plant & Equipment *	(3,240)	(2,305)				(5,545)
Revaluation losses & reversals on Property, Plant & Equipment		5,096				5,096
Movements in the fair value of Investment Properties	84	63				147
Amortisation of Intangible assets	(102)		(9)			(111)
Capital grants and contributions applied	115				257	372
Revenue expenditure funded from capital under statute (REFFCUS)	(104)				93	(11)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES		(2,614)				(2,614)
Total Adjustments to Revenue Resources	(5,087)	253	(6,608)	0	350	(11,092)

CIES - Comprehensive Income and Expenditure Statement

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

Adjustments between accounting basis and funding basis under regulations						
2016/2017	Usable Reserves					Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
Adjustments between Revenue and Capital Resources						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	367	6,753		(7,120)		0
Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital Receipts Pool	(766)			766		0
Posting of HRA resources from revenue to the Major Repairs Reserve		(181)	181			0
Capital expenditure charged against the General Fund and HRA balances	1,895	1,700				3,595
Total Adjustments between Revenue and Capital Resources	1,496	8,272	181	(6,354)	0	3,595
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance new capital expenditure				3,119		3,119
Use of the Major Repairs Reserve to finance new capital expenditure			7,351			7,351
Capital grants and contributions unapplied credited to the CIES	564	300			(864)	0
Total Adjustments to Capital Resources	564	300	7,351	3,119	(864)	10,470
Total Adjustments	(3,027)	8,825	924	(3,235)	(514)	2,973

Adjustments between accounting basis and funding basis under regulations						
2015/2016 Comparative figures	Usable Reserves					Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
Adjustments to the Revenue Resources						
Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:						
Pensions costs (transferred to or from the Pensions Reserve) (see note 41)	(1,078)	(284)				(1,362)
Council Tax and NNDR (transfers to or from Collection Fund Adjustment Account)	(1,487)					(1,487)
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):						
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)
Total Adjustments to Revenue Resources	(1,766)	24,135	(6,166)	0	(34)	16,169

CIES - Comprehensive Income and Expenditure Statement

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

Adjustments between accounting basis and funding basis under regulations						
2015/2016 Comparative figures	Usable Reserves					Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
Adjustments between Revenue and Capital Resources						
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)
Total Adjustments between Revenue and Capital Resources	2,064	8,728	0	(2,903)	0	7,889
Adjustments to Capital Resources						
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
Total Adjustments to Capital Resources	(523)	52	4,453	530	877	5,389
Total Adjustments	(225)	32,915	(1,713)	(2,373)	843	29,447

11. 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.

2015/2016 £'000		2016/2017 £'000
(1,918)	Balance at 1 April	(1,524)
559	Capital Financing in year	419
(2,962)	Capital Charges contributed from revenue	(3,221)
574	Funding of non-asset generating spend from capital budgets	718
175	Contribution to/(from) General Fund Balance	40
2,000	Transfer to Earmarked Reserves	900
48	Other	(18)
<u>394</u>	Movement in year	<u>(1,162)</u>
(1,524)	Balance at 31 March	(2,686)

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 drawn down from earmarked reserves to meet General Fund and HRA expenditure.

1 April 2016 Balance £'000	Reserve	Net Movement in year £'000	Balance 31 March 2017 £'000	Purpose of Reserve
	General Fund			
(741)	Insurance Reserves	(27)	(768)	For losses/claims which are uninsured
(1,263)	Revenue Grants	121	(1,142)	Balance of unspent revenue grants, carried forward to meet future expenditure
(2,185)	Business Rates Retention Equalisation Reserve	(348)	(2,533)	To provide for the exposure to fluctuations in rateable values and deficit timing differences
(2,000)	Asset Development Reserve	1,080	(920)	For future asset development
(1,000)	SANG	0	(1,000)	For potential site acquisition
	Investment Advisory Board	(900)	(900)	
(2,164)	Other	583	(1,581)	Other small funds
(9,353)	Total	509	(8,844)	

	Housing Revenue Account			
(7,381)	New Affordable Housing Reserve	(4,896)	(12,277)	Reserves created from surplus generated as a result of HRA self-financing
(8,039)	Dwelling Stock Improvement Reserve	727	(7,312)	
(823)	Other	(264)	(1,087)	Other small funds
(16,243)	Total	(4,433)	(20,676)	

12. Taxation and Non-Specific Grant Income

2015/2016 £'000		2016/2017 £'000
(11,281)	Council Tax income (Waverley Borough Council and Town & Parishes)	(11,798)
(3,479)	Non-ringfenced Government grants *	(3,378)
(1,962)	Business Rates income and expenditure	(2,237)
(152)	Capital grants and contributions (see note 38)	(979)
<u>(16,874)</u>		<u>(18,392)</u>

* Non-ringfenced Government Grants

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

2015/2016 £'000		2016/2017 £'000
(1,574)	Revenue Support Grant	(765)
(1,668)	New Homes Bonus	(2,234)
(91)	Council Tax Freeze Grant for year	0
0	Transition Grant	(153)
(146)	Other Revenue Grants	(226)
<u>(3,479)</u>		<u>(3,378)</u>

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 - was awarded to authorities in 2015/2016 which held (or reduced) their average Band council tax at the previous year's level.

Transition Grant - announced as part of the Local Government Finance Settlement 2016/2017. This grant is designed to ease the change from a system based on Central Government grant to one in which local sources determine a council's revenue.

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.

13. Group Property, Plant and Equipment (PPE)

Movements in 2016/2017

	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
Cost or Valuation								
At 1 April 2016	386,487	92,520	7,701	1,273	364	2,500	6,388	497,233
Adjustments between cost/value and depreciation/impairment	(2,850)	(228)	(221)					(3,299)
Adjusted 1 April 2016 balance	383,637	92,292	7,480	1,273	364	2,500	6,388	493,934
Additions/enhancement	9,729	18	304	7		1,080	669	11,807
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	231	5,667				55		5,953
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	5,096							5,096
Derecognition Disposals	(2,614)							(2,614)
Reclassified to/from Held for Sale	(171)							(171)
Other Reclassifications	2,822	(25)				25	(2,822)	0
At 31 March 2017	398,730	97,952	7,784	1,280	364	3,660	4,235	514,005
Depreciation and Impairments								
At 1 April 2016	(8,822)	(2,189)	(4,142)	(728)	0	0	0	(15,881)
Adjustments between cost/value and depreciation/impairment	2,850	228	221	0	0	0	0	3,299
Adjusted 1 April 2016 balance	(5,972)	(1,961)	(3,921)	(728)	0	0	0	(12,582)
Charge for 2016/2017	(6,353)	(927)	(558)	(36)				(7,874)
Depreciation written out to the Revaluation Reserve	5,972	433				1		6,406
Impairment (losses)/ reversals recognised in the Revaluation Reserve	0	(2,113)	(22)					(2,135)
Impairment (losses)/ reversals recognised in the Surplus/Deficit on the Provision of Services	(2,305)	(3,212)	(28)					(5,545)
Other Reclassifications		1				(1)		0
At 31 March 2017	(8,658)	(7,779)	(4,529)	(764)	0	0	0	(21,730)
Balance Sheet amount at 31 March 2017	390,072	90,173	3,255	516	364	3,660	4,235	492,275

Movements in 2015/2016

	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Infra-structure	Community Assets	Surplus Assets	Assets under Construction	Total PPE
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 1 April 2015	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
Depreciation and Impairments								
At 1 April 2015	(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)
Balance Sheet amount at 31 March 2016	377,665	90,331	3,559	545	364	2,500	6,388	481,352

14. 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 10). These are consolidated in note 13, which reconciles the movement over the year in Property, Plant and Equipment, together with Intangibles.

	Total Impairments £'000
(Surplus)/ Deficit on Provision of Services	
Council Dwellings	(2,305)
Land and Buildings *	(3,212)
Vehicles, Plant and Equipment	(28)
Total	<u>(5,545)</u>
Other Comprehensive Income and Expenditure	
Land and Buildings *	(2,113)
Vehicles, Plant and Equipment	(22)
Total	<u>(2,135)</u>

* The revaluation of the Council Offices resulted in an impairment loss of £5.1million, £3.2million was charged to the (Surplus)/Deficit on Provision of Services, £1.9million was met from the Revaluation Reserve and is in Other Comprehensive Income and Expenditure.

15. 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.

	2015/2016 £'000	2016/2017 £'000
Opening Capital Financing Requirement	194,358	194,358
Capital Investment		
Property, Plant and Equipment (1)	12,215	11,807
Investment Properties (3)	0	2,514
Intangible Assets	91	105
Revenue Expenditure Funded from Capital under Statute (2)	359	431
Total Capital Expenditure	<u>12,665</u>	<u>14,857</u>
Sources of finance		
Grants and Other Contributions (3)	(1,357)	(792)
Major Repairs Reserve	(4,453)	(7,351)
Capital Receipts	(530)	(3,119)
Revenue	(6,325)	(3,595)
Total Capital Financing	<u>(12,665)</u>	<u>(14,857)</u>
Closing Capital Financing Requirement	<u>194,358</u>	<u>194,358</u>
Movement	0	0

1. This figure matches the additions in note 13 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.

16. Commitments under Capital Contracts

As at 31 March 2017, the major capital contracts entered into were as follows:

Contract	Purpose	Approximate value of remaining commitment	Period of Investment
General Fund	Construction at Memorial Hall, Farnham	£'000 1,983	2017/2018
Housing Revenue Account	Building 24 new dwellings in Godalming	3,003	2017/2018
	Building 16 new dwellings in Godalming	1,505	2017/2018
	Building 5 new dwellings in Shamley Green	1,104	2017/2018
	Structural works	1,060	2017/2018

17. 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
Council Dwellings	4,837
Other Land and Buildings	
Garages	745
Art Gallery	1
Art Centre	1
Museum & Garden	2
Halls	1
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
Miscellaneous Land	52

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
Land at Silo Drive	1

Heritage Assets

See Heritage Assets note 20.

18. Revaluation Information

Valuation of property assets carried at fair value

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

The basis for valuation is set out in the Statement of Accounting Policies at page 34.

Carrying Value at 31 March 2017	Council Dwellings	Other Land and Buildings	Surplus Assets	Trust Assets	Total
	£'000	£'000	£'000	£'000	£'000
Valued at fair value in:					
2016/2017	390,072	25,603	3,660		419,335
2015/2016		2,651			2,651
2014/2015		33,072		10,354	43,426
2013/2014		18,293			18,293
2012/2013		200			200
Total	390,072	79,819	3,660	10,354	483,905

19. Investment Property

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

- Industrial Estate & Units	28
- Other	17

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:

2015/2016 £'000		2016/2017 £'000
(720)	Rental Income	(714)
34	Direct Operating Expenses	51
<u>(1,754)</u>	Changes in fair value	<u>(147)</u>
<u>(2,440)</u>	Net (gain)/loss	<u>(810)</u>

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

2015/2016 £'000		2016/2017 £'000
13,507	Balance at start of the year	14,667
0	Additions/enhancements	2,514
1,754	Net gains or losses from fair value adjustments	147
<u>(594)</u>	Transfers (to)/from Property, Plant and Equipment	<u>0</u>
<u>14,667</u>	Balance at end of the year	<u>17,328</u>

20. Heritage Assets

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

2015/2016 £'000		2016/2017 £'000
	Cost or Valuation	
1,194	At 1 April 2016	1,225
0	Revaluation increases/(decreases) recognised in (Surplus) or Deficit on the Provision of Services	52
1,194	At 31 March 2017	1,277
	Depreciation and Impairment	
(1)	At 1 April 2016	(1)
0	Depreciation	0
(1)	At 31 March 2017	(1)
1,193	Balance Sheet amount at 31 March 2017	1,276

A summary of transactions relating to heritage assets for the accounting period for the year of the accounts and the previous accounting period is shown below:

2015/2016 £'000		2016/2017 £'000
	Valuation of heritage assets	
315	Art Collection	315
352	Phillips Memorial Park	368
322	Museum of Farnham Collection	349
235	Other	244
1,224	Total	1,276

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 collection includes fine art, costume, archaeology, photography and other artefacts relating to the local area.

The Museum recognises its responsibility in acquiring additions to its collections that have a strong association with Farnham or its immediate vicinity. It follows preservation and management policies to safeguard and conserve the collections for future generations. This includes acquisition procedures to ensure that acquisitions are acquired legally and ethically and in line with the mission statement objectives of the Museum. Disposals will only be made for sound curatorial reasons.

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.

Expenditure on restoration and enhancement began in 2011/2012 following the award of funding from the Heritage Lottery Fund and The Big Lottery Fund to commemorate the hundredth anniversary of the sinking of the Titanic.

Art Collection

The Council has a small art collection held at a number of sites.

Other

The remainder of the Heritage Assets are made up of civic regalia, architectural features and a small part of the Godalming Museum collection. 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.

*Waverley Borough Council
Statement of Accounts 2016/2017*

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 (controlled by the Council) to transfer economic benefits 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 2017 consisted of Public Works Loan Board (PWLB) debt of £187,035,000. Under the 2016/2017 Code of Practice the debt is measured at amortised cost.

Financial Assets

A 'financial asset' is a right (controlled by the Council) to future economic benefits 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 2017 included a £4 million fixed term cash investment over one year. 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 2017 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 transaction 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 2016/2017.

22. Financial Instruments Balances

The Balance Sheet shows the following categories of Financial Instrument:

31 March 2016 Balance			31 March 2017 Balance	
Long-Term £'000	Current £'000		Long-Term £'000	Current £'000
		Loans and Receivables		
0	35,595	Investments	4,041	46,093
0	3,621	Net Trade Receivables (within Debtors)		3,954
0	12,810	Cash and Cash Equivalents		7,941
0	52,026	Total Financial Assets	4,041	57,988
		Financial Liabilities at amortised cost		
(187,035)	(74)	Borrowings	(183,548)	(3,487)
0	(7,474)	Trade Payables (within Creditors)		(5,133)
(187,035)	(7,548)	Total Financial Liabilities	(183,548)	(8,620)
		Reconciliation of Current Net Trade Receivables to Total Short Term Debtors		
	3,621	Net Trade Receivables (Current)		3,954
	5,316	Debtors that are not financial instruments		3,941
	8,937	Total Short Term Debtors		7,895
		Reconciliation of Current Net Trade Payables to Total Short Term Creditors		
	(7,474)	Trade Payables (Current)		(5,133)
	(1,917)	Creditors that are not financial instruments		(2,826)
	(9,391)	Total Short Term Creditors		(7,959)

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 2016 Balance			31 March 2017 Balance	
Long-Term £'000	Current £'000		Long-Term £'000	Current £'000
		Borrowings		
(187,035)	0	Nominal Amount	(183,548)	(3,487)
0	(74)	Accrued Interest		(74)
(187,035)	(74)	Total Amortised Cost	(183,548)	(3,561)

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

31 March 2016 Balance			31 March 2017 Balance	
Long-Term £'000	Current £'000		Long-Term £'000	Current £'000
		Investments		
1	35,500	Nominal Amount	4,001	46,000
0	95	Accrued Interest	40	93
		On-call Investments within Cash and Cash Equivalents		
0	15,975	Nominal Amount	0	10,069
0	6	Accrued Interest	0	2
1	51,576	Total Amortised Cost	4,041	56,164

Any long-term borrowing and long-term investments and debtors due to be settled within 12 months of the Balance Sheet date are presented on 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:

2015/2016			2016/2017	
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
5,659	0	Total interest payable and other similar charges *	5,708	0
0	(474)	Total interest and investment income	0	(490)
5,659	(474)	Net (gain)/loss for the year	5,708	(490)

* The majority of interest paid was to the Public Works Loan Board (PWLB)

24. Fair Value of Financial Assets and Liabilities

The Council is required to disclose the Fair Value of each class of financial assets and financial 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 on 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 2016/2017 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 2017 the Council's outstanding debt consisted solely of loans from the PWLB. An independent consultancy 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 1.23 on page 40).

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, the carrying amount is assumed to approximate to fair value.
- the fair value of trade and other receivables is taken to be the invoiced 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 except one long term investment (for 5 years) 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 where the Fair Value differs materially from the Balance Sheet carrying amount is:

31 March 2016 Balance			31 March 2017 Balance	
Carrying amount £'000	Fair value £'000		Carrying amount £'000	Fair value £'000
		Financial Liabilities		
187,109	219,012	PWLB Borrowing	187,109	227,141

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 2017) 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 2016/2017 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 2016/2017, 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 (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 2016/2017 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 1 non-specified investment totalling £4 million.
- £10 million was the maximum investment in any single specified organisation at any one time.
- £20 million was the total investment with any group - £10 million 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 Strategic Director - 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 £60 million external investments (including £10 million within Cash and Cash Equivalents) as at 31 March 2017 (£51.5 million total investments as at 31 March 2016) were either in UK banks, building societies or local authorities. The average number of days to maturity as at 31 March 2017 was 288 (180 as at 31 March 2016). The average rate of investment return as at 31 March 2017 was 0.73% (0.77% as at 31 March 2016).

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 2017 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 2017	Balance Invested as at 31 March 2017			Total
			Instant access	up to 1 year	over 1 year	
			£'000	£'000	£'000	£'000
			Length of investment from date invested to maturity date			
Not rated *	LA	LA		14,000	4,000	18,000
AA- stable	y	y	9,000			9,000
A+ stable	y	y		23,000		23,000
A stable	y	y	1,000	6,000		7,000
A negative	y	y				0
A- stable	y	y		3,000		3,000
Totals			10,000	46,000	4,000	60,000

* Waverley had 4 deposits with other Local Authorities as at 31 March 2017. Local Authorities are not generally rated individually but are rated equivalent to Government institutions and fall within the Annual Investment Strategy.

The comparative figures for the Council's investment portfolio as at 31 March 2016 are below:

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 invested to maturity date			
Not rated (other Local Authorities)						0
AA- stable	y	y	10,375			10,375
A stable	y	y	5,600	31,500	1,000	38,100
A negative	y	n			3,000	3,000
A- stable	y	y				0
Totals			15,975	31,500	4,000	51,475

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 72) 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 Loan 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 0.5 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 2016 £'000s	% of total debt portfolio	Years	31 March 2017 £'000s	% of total debt portfolio
0	0	Short Term Borrowing < 1 year	3,487	2
15,721	8	Long Term Borrowing ≥ 1 year ≤ 5 years	17,218	9
40,808	22	>5 years ≤ 10 years	46,223	25
60,258	32	>10 years ≤ 15 years	64,420	34
67,010	36	>15 years ≤ 20 years	52,449	28
3,237	2	>20 years ≤ 25 years	3,237	2
0	0	>25 years ≤ 30 years	0	0
187,034	100	Total Borrowing	187,034	100

Market risk - interest rate risk

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

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

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

The Council's investments were all held at fixed rates as at 31 March 2017 and are due to mature within one year except for one investment of £4,000,000 which matures in 2021 and a small amount of Government stock of £983.

There is some risk with regard to the reinvestment of the 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 £489,000 interest on its external investments in 2016/2017 at an average interest rate of 0.73%. If the average rate had been 0.2% less (ie 0.57%) the Council would have received approximately £127,000 less income; a 0.2% rise in interest rates would similarly have produced approximately £127,000 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 £227,141,065 at 31 March 2017. 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 £251,230,414 (£24,089,349 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 £206,010,428 (£21,130,637 less, but again with no impact on the Surplus or Deficit on the Provision of Services or other Comprehensive Income and Expenditure). The fair value of identical loans taken out in 2016-17 would be £206,802,018. There would be an early repayment penalty incurred by refinancing of £40,032,313.

Interest Rate profile of financial liabilities	31/03/2016	31/03/2017
Total £'000	(187,109)	(187,109)
Weighted average interest rate (%)	3.0	3.0
Weighted average period (years)	12.5	11.6

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 2016 Balance £'000		31 March 2017 Balance		
		Single Entity £'000	Group Activities £'000	Group Total £'000
Debtors				
1,885	Central Government bodies	1,968	0	1,968
0	less Impairment Allowance	0	0	0
1,885		1,968	0	1,968
2,116	Other Local Authorities	423	0	423
0	less Impairment Allowance	0	0	0
2,116		423	0	423
6,557	Other entities and individuals	7,127	11	7,138
(1,622)	less Impairment Allowance	(1,731)	0	(1,731)
4,935		5,396	11	5,407
8,936	Total Debtors net of Impairment Allowance	7,787	11	7,798

27. Cash and Cash Equivalents

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

31 March 2016 Balance £'000		31 March 2017 Balance		
		Single Entity £'000	Group Activities £'000	Group Total £'000
3	Cash held by the Council	3		3
(3,173)	Bank current accounts	(2,132)		(2,132)
15,980	Short-term investments	10,070		10,070
158	Shottermill Recreation Ground Trust		152	152
1,186	Ewart Bequest		1,254	1,254
14,154	Total Cash and Cash Equivalents	7,941	1,406	9,347

'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 2016 Balance £'000		31 March 2017 Balance		
		Single Entity £'000	Group Activities £'000	Group Total £'000
Creditors				
(851)	Central Government bodies	(489)		(489)
(1,956)	Other Local Authorities	(1,110)		(1,110)
(6,584)	Other entities and individuals	(8,586)	(18)	(8,604)
(9,391)	Total	(10,185)	(18)	(10,203)

29. Usable Reserves

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

Usable Reserves 2016/2017

1 April 2016 Balance £'000	Reserve	Net Movement in year £'000	Balance 31 March 2017 £'000	Purpose of Reserve	Further detail of Movements
(3,200)	General Fund	0	(3,200)	Resources available to meet future running costs for non-housing services	See note 10 to the Financial Statements
(1,524)	Revenue Reserve Fund	(1,162)	(2,686)		See note 11
(9,353)	General Fund Earmarked Reserves	509	(8,844)		See note 11
(14,077)	Total General Fund	(653)	(14,730)		
(2,599)	Housing Revenue Account	571	(2,028)	Resources available to meet future running costs for council houses	See HRA Income and Expenditure Account, Movement on the HRA Statement & Note 5 to the HRA
(16,243)	Housing Revenue Account Earmarked Reserves	(4,433)	(20,676)		See note 11
(2,722)	Housing Revenue Account - Major Repairs Reserve	924	(1,798)		
(21,564)	Total Housing Revenue Account	(2,938)	(24,502)		
(16,538)	Capital Receipts Reserve	(3,235)	(19,773)	Proceeds of non-current assets sales that can only be used to fund capital expenditure	See next page for explanation of movement
(1,115)	Capital Grants Unapplied Account	(514)	(1,629)	Capital resource applied when expenditure incurred	See note 38
(53,294)	Total	(7,340)	(60,634)		

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	90	(3,200)	Resources available to meet future running costs for non-housing services	See note 10 to the Financial Statements
(1,918)	Revenue Reserve Fund	394	(1,524)		See note 11
(6,838)	General Fund Earmarked Reserves	(2,515)	(9,353)		See note 11
(12,046)	Total General Fund	(2,031)	(14,077)		
(2,385)	Housing Revenue Account	(214)	(2,599)	Resources available to meet future running costs for council houses	See HRA Income and Expenditure Account, Movement on the HRA Statement & Note 5 to the HRA
(14,552)	Housing Revenue Account Earmarked Reserves	(1,691)	(16,243)		See note 11
(2,546)	Housing Revenue Account - Major Repairs Reserve	(176)	(2,722)		
(19,483)	Total Housing Revenue Account	(2,081)	(21,564)		
(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 below for explanation of movement
(1,958)	Capital Grants Unapplied Account	843	(1,115)	Capital resource applied when expenditure incurred	See note 38
(47,652)	Total	(5,642)	(53,294)		

Explanation of Movements on Usable Reserves

2015/2016 Movement £'000		2016/2017 Movement £'000
	Capital Receipts Reserve	
(3,843)	Capital Receipts in year (net of disposal costs)	(7,120)
941	Pooling of Housing Receipts	766
530	Capital Financing in year	3,119
(1)	Other movements	0
(2,373)		(3,235)

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 2016/2017

1 April 2016 Balance £'000	Reserve	Net Movement in year £'000	Balance 31 March 2017 £'000	Purpose of Reserve	Further detail of Movements
	Revaluation balances				
(26,562)	Revaluation Reserve	(10,492)	(37,054)	Holds unrealised gains and losses on revaluation of assets, only becomes available if the assets are sold	See page 76 for explanation of movement
	Adjustment Accounts				
(267,611)	Capital Adjustment Account	(3,945)	(271,556)	Store of capital assets set aside to represent past expenditure	See page 77 for explanation of movement
46,021	Pensions Reserve	12,184	58,205	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	See note 41 to the core financial statements
992	Collection Fund Adjustment Account	(184)	808		
(247,160)	Total Unusable Reserves	(2,437)	(249,597)		

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
	Revaluation balances				
(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 page 76 for explanation of movement
	Adjustment Accounts				
(235,217)	Capital Adjustment Account	(32,394)	(267,611)	Store of capital assets set aside to represent past expenditure	See page 77 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 41 to the core financial statements
(495)	Collection Fund Adjustment Account	1,487	992		
(205,946)	Total Unusable Reserves	(41,214)	(247,160)		

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:

2015/2016 Movement £'000		2016/2017 Movement £'000
(22,120)	Balance at 1 April	(26,562)
(4,823)	Upward Revaluations of assets	(12,770)
283	Downward revaluation of assets and impairment losses not charged to the (Surplus)/Deficit on the Provision of Services	2,135
(4,540)	(Surplus) or Deficit on revaluation of non-current assets not posted to the (Surplus) or Deficit on the Provision of Services (to CIES page 14)	(10,635)
98	Difference between fair value depreciation and historical cost depreciation	143
98	Amount written off to the Capital Adjustment Account	143
(4,442)	Net Movement in year	(10,492)
(26,562)	Balance at 31 March	(37,054)

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:

2015/2016		2016/2017
Movement		Movement
£'000		£'000
(235,217)	Balance at 1 April	(267,611)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement (see note 8):	
7,216	Depreciation of non-current assets	7,597
2,892	Impairment losses & reversals on Property, Plant & Equipment	5,545
(28,083)	Revaluation losses & reversals on Property, Plant & Equipment	(5,096)
110	Amortisation of intangible assets	111
(3)	Revenue expenditure funded from capital under statute	11
1,229	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	2,614
<u>(16,639)</u>		<u>10,782</u>
(98)	Adjusting amounts written out of the Revaluation Reserve	(143)
(16,737)	Net written out amount of the cost of non-current assets consumed in the year	10,639
	Capital financing applied in the year:	
(530)	Use of the Capital Receipts Reserve to finance new capital expenditure	(3,119)
(4,453)	Use of the Major Repairs Reserve to finance new capital expenditure	(7,351)
(589)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(115)
(406)	Application of grants to capital financing from the Capital Grants Unapplied Account	(257)
(1,565)	Repayment of borrowing	0
(6,325)	Capital expenditure charged against the General Fund and HRA balances	(3,595)
<u>(13,868)</u>		<u>(14,437)</u>
(1,754)	Movements in the fair value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(147)
(36)	Donated Assets credited to the Comprehensive Income & Expenditure Statement	0
1	Other	0
<u>(32,394)</u>	Net Movement in year	<u>(3,945)</u>
<u>(267,611)</u>	Balance at 31 March	<u>(271,556)</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 41 for further detail

2015/2016		2016/2017
£'000		£'000
51,886	Balance at 1 April	46,021
(7,227)	Remeasurements of the net defined benefit liability/(asset)	11,171
4,627	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	4,366
(3,265)	Employer's pensions contributions and direct payments to pensioners payable in the year	(3,353)
<hr/>		<hr/>
(5,865)	Net Movement in year	12,184
<hr/>		<hr/>
46,021	Balance at 31 March	58,205
<hr/>		<hr/>

31. Cash-Flow Statement - Operating Activities

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

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

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

2015/2016 £'000		2016/2017 £'000
5,650	Interest paid	5,650
(508)	Interest received	(457)

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

2015/2016 £'000		2016/2017 £'000
(7,216)	Depreciation	(7,597)
(2,892)	Impairment and downward valuations	(5,545)
28,083	Revaluation losses and reversals on Property, Plant & Equipment	5,096
(110)	Amortisations	(111)
(167)	(Increase)/Decrease in Impairment Allowance	(109)
1,602	(Increase)/Decrease in Creditors	(705)
2,014	Increase/(Decrease) in Debtors	(841)
(3)	Increase/(Decrease) in Inventories	0
(1,362)	Pensions liability	(1,013)
(1,229)	Carrying amount of non-current assets sold	(2,614)
(433)	Provisions	40
1,754	Movements in the value of Investment Properties	147
36	Donated Assets	0
20,077	Total non-cash movements	(13,252)

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

2015/2016 £'000		2016/2017 £'000
474	Proceeds from Short-term Investments (cash interest on investments)	490
3,843	Proceeds from the sale of Property, Plant and Equipment	7,120
152	Grants received for financing of capital expenditure	979
525	Other contributions for financing revenue expenditure	0
4,994		8,589

32. Cash-Flow Statement - Investing Activities

2015/2016 £'000		2016/2017 £'000
12,580	Purchase of Property, Plant and Equipment and Intangible assets	14,031
111,550	Purchase of Short-term and Long-term Investments	121,750
(112,558)	Proceeds from Short-term Investments	(107,707)
(3,843)	Proceeds from the sale of Property, Plant and Equipment	(7,120)
(371)	Capital Grants and contributions received for the cost of purchasing Property, Plant and Equipment or Intangible assets	(1,250)
7,358	Net cash-flows from Investing Activities	19,704

33. Cash-Flow Statement - Financing Activities

2015/2016 £'000		2016/2017 £'000
1,565	Repayments of Short-term Borrowing	0
682	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	541
1,462	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	(400)
3,709	Net cash-flows from Financing Activities	141

34. 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:

2015/2016 £'000		2016/2017 £'000
Gross cash receipts		
(11,453)	Taxation - Council Tax collected in the year attributable to the Council	(11,816)
(14,692)	Taxation - Business Rates income in the year attributable to the Council	(15,047)
(34,570)	Grants (see note 41.)	(34,041)
(14,921)	Housing Rents	(15,116)
(29,965)	Sales of goods and services	(32,861)
(105,601)	Cash inflows from operating activities	(108,881)
Gross cash payments		
12,590	Waverley Business Rates tariff to Central Government	12,695
12,695	Cash paid to and on behalf of employees	12,925
15,806	Housing Benefit paid out	15,659
2,578	Precepts paid	2,763
756	Payments to the capital receipts pool	768
26,332	Cash paid to suppliers of goods and services	24,695
5,650	Interest paid	5,650
19,176	Other payments for operating activities	18,750
95,583	Cash outflows generated from operating activities	93,905
(10,018)	Net cash-flows from Operating Activities	(14,976)

35. 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:

2015/2016 Number of Employees restated	Remuneration Band	2016/2017
		Number of Employees
6	£50,000 - £54,999	5
3	£55,000 - £59,999	2
3	£60,000 - £64,999	5
2	£65,000 - £69,999	1
3	£70,000 - £74,999	3
1	£75,000 - £79,999	2
1	£90,000 - £94,999	0
1	£95,000 - £99,999	1
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.

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 2016/2017:
(The Council has no Senior Officers whose salary is £150,000 or more per year.)

Post Title	2016/2017					
	Salary (including fees & allowances)	Expense allowance	Benefits in kind (car and medical insurance)	Total Remuneration excluding employers pension contributions	Employers Pension Contributions	Total Remuneration including pension contributions
	£	£	£	£	£	£
Executive Director	109,825	4,525	4,992	119,342	18,122	137,464
Strategic Director- Frontline Services (previously Director of Operations)	91,726	4,525	4,385	100,636	15,135	115,771
Strategic Director- Finance and Resources (previously Director of Finance and Resources)	87,200	4,186	4,546	95,932	14,388	110,320

The comparative information for 2015/2016 is:

2015/2016						
Post Title	Salary (including fees & allowances)	Expense allowance	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	4,441	117,659	17,941	135,600
Director of Operations (restated)	90,818	4,480	4,113	99,411	14,985	114,396
Director of Finance and Resources	84,100	4,144	3,982	92,226	13,876	106,102

Exit Packages

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

2016/2017				
(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	1*	0	1	1,183

*the redundancy payment was triggered by a temporary contract of more than 2 years

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

36. 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 £378,097 were paid in 2016/2017 (2015/2016 £374,825). A detailed list of the allowances paid to each Member can be found on the Council's website and is summarised below:

2015/2016 £'000		2016/2017 £'000
259	Basic Allowance	261
97	Special Responsibility Allowance	98
15	Travelling and Subsistence Allowance	16
3	Internet Charges	3
374		378

37. 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:

2015/2016 £'000		2016/2017 £'000
54	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	54
20	Fees payable to external auditors for the certification of grant claims and returns for the year	16
6	Fees payable in respect of other services provided by external auditors during the year *	3
80		73

*The fee for other services payable in 2016/2017 related to the Housing Capital Receipts claim.

38. Capital Grants and Contributions Income

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

31 March 2016 Balance		2016/2017			31 March 2017 Balance
£'000		Credited to Taxation and Non-Specific Grant Income £'000	Used to Finance Capital Expenditure in Year £'000	Other funding £'000	£'000
(861)	Section 106 Contributions	(284)	99	93	(953)
(220)	Other Contributions	(68)	273		(15)
0	Homes and Communities Agency	(300)			(300)
(34)	Disabled Facilities Grant (unused)	(327)			(361)
(1,115)		(979)	372	93	(1,629)

39. Related Parties

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

Central Government

Central Government has effective control over some operations of the Council through legislation. It is responsible for providing the statutory framework within which the Council operates, provides key funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (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 and reimbursements on a cash basis: (includes funding received via Surrey County Council)

2015/2016 £'000		2016/2017 £'000
(15,057)	Rent Allowances	(14,986)
(13,690)	Rent Rebates	(13,761)
(1,668)	New Homes Bonus	(2,234)
(1,574)	Revenue Support Grant	(765)
(948)	Retained Business Rates section 31 grants	(493)
(430)	Benefits Administration Subsidy	(388)
(208)	Supporting People	(176)
0	Transition Grant (from DCLG to support revenue)	(153)
0	Police and Crime Commissioner Election	(139)
(97)	Discretionary Housing Payments	(132)
0	EU Referendum	(109)
(132)	Troubled Families Funding	(106)
0	Homes and Community Agency	(100)
(120)	Waste recycling (Food waste incentive)	(80)
(74)	Countryside Grants	(80)
0	Community Housing Fund	(76)
0	Preventing Technologies Grant	(50)
0	Joint Enforcement Team funding	(50)
(22)	Welfare reform	(37)
(52)	Electoral Registration Grant	(35)
(108)	Property Searches New Burdens Grant	(8)
(180)	Personalisation and Prevention Partnership Funding	0
(91)	Council Tax Freeze Grant	0
(119)	Balance of other minor grants received	(83)
(34,570)		(34,041)

Revenue expenditure on a cash basis:

2015/2016 £'000		2016/2017 £'000
12,590	Retained Business Rates tariff payment	12,695

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 2016/2017, there were no material transactions identified.

Disclosures on Members' Allowances can be found in note 36. page 83 and Officers' Remuneration in note 35 page 81.

Pension Fund - is administered by Surrey County Council, details of the Pension Fund are shown in note 41 page 86.

40. 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 2017.

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 2016 £'000		31 March 2017 £'000
1,047	Not later than one year	1,224
2,931	Later than one year and not later than five years	2,960
55,334	Later than five years	55,074
59,312		59,258

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

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

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

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

The Actuary has used the 'projected unit credit' method of valuation to project the valuation results of the latest formal valuation date forward to 31 March 2017 using approximation methods. The roll-forward allows for changes in financial assumptions, additional benefit accruals and estimated cash flows over the period.

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

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 Pension Services, Surrey County Council, Room 243, County Hall, Penrhyn Road, Kingston-Upon-Thames, KT1 2DN (website www.surreypensionfund.org).

Transactions Relating to Retirement Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund and Housing Revenue Account via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

2015/2016
£'000

2016/2017
£'000

Comprehensive Income and Expenditure Statement

Cost of Services:		
3,039	Current Service Cost	2,830
0	Past Service Cost	0
Financing and Investment Income and Expenditure:		
1,588	Net interest expense	1,536
4,627	Total Post-employment Benefits charged to the (Surplus) or Deficit on the Provision of Services	4,366
Other Post-employment Benefits charged to the (Surplus) or Deficit on the Provision of Services		
Remeasurement of the net defined benefit liability comprising:		
1,953	Return on plan assets (excluding the amount included in net interest expense)	(10,903)
0	Actuarial losses/(gains) arising on changes in demographic assumptions	(2,070)
(7,161)	Actuarial losses/(gains) arising on changes in financial assumptions	25,850
(2,019)	Other experience losses/(gains)	(1,706)
(7,227)	Total remeasurement of the net defined benefit liability loss / (gain)	11,171
(2,600)	Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	15,537

Movement in Reserves Statement

General Fund Balance

(3,251)	Reversal of net charges made to the (Surplus) or Deficit for the Provision of Services for post-employment benefits in accordance with the code	(3,400)
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Actual amount charged against the General Fund Balance:

2,173	Employers' contributions payable to scheme	2,374
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Housing Revenue Account Balance

(1,376)	Reversal of net charges made to the (Surplus) or Deficit for the Provision of Services for post-employment benefits in accordance with the code	(966)
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Actual amount charged against the HRA Balance for pensions in the year:

1,092	Employers' contributions payable to scheme	979
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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 2016		31 March 2017
£'000		£'000
(141,696)	Estimated liabilities in scheme	(166,760)
95,675	Estimated assets in scheme *	108,554
(46,021)	Net asset/(liability) *	(58,206)

The liabilities show the underlying commitments that the Council has to pay retirement benefits. The net liability of £58.2million 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 2017 has been reduced from the Actuary's estimate by £548,000 to reflect the actual cumulative payments made to the Fund. The net liability shown here is therefore £548,000 higher than the actuarial figure of £57.658million.

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 2016		31 March 2017
3.6%	Rate of increase in salaries	2.7%
2.1%	Rate of increase in pensions	2.4%
3.4%	Rate for discounting scheme liabilities	2.5%
25%/63%	Take-up of option to convert annual pension into retirement grant (pre/post 2008)	25%/63%

Life Expectancy

Historic Life expectancy is based on the Fund's VitaCurves, with improvements in line with the Chartered Management Institute (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 2016			31 March 2017		
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 *	24.1 years	26.4 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 2016		31 March 2017
Assets		Assets
£'000		£'000
	Equity investments:	
7,731	Consumer	8,851
5,883	Manufacturing	8,024
2,704	Energy & Utilities	4,399
6,878	Financial Institutions	7,718
3,392	Health & Care	2,915
5,212	Information Technology	6,145
142	Other	222
	Debt Securities:	
4,117	Corporate Bonds (investment grade)	3,787
255	Corporate Bonds (non-investment grade)	239
0	UK Government	222
128	Other	500
3,828	Private Equity *	4,579
	Real Estate: *	
5,808	UK Property	6,204
755	Overseas Property	40
	Investment Funds & Unit Trusts	
25,052	Equities	30,254
10,327	Bonds	11,926
11,920	Other	0
	Derivatives:	
0	Interest Rate	(3)
(580)	Foreign Exchange	155
2,687	Cash & Equivalents	12,925
96,239		109,102

* All scheme assets have quoted prices in active markets with the exception of the Private Equity assets, the Real Estate Overseas Property assets and £4,465k of the Real Estate UK Property assets.

Actuary's Estimated Movements in Deficit during the Year

2015/2016 £'000		2016/2017 £'000
(51,366)	Opening Position as at 31 March 2016	(45,457)
(3,039)	Current Service Cost	(2,830)
0	Past Service Cost	0
3,165	Employer Contributions	3,201
144	Contributions in respect of Unfunded Benefits	135
(1,588)	Net Return on Assets	(1,536)
	Actuarial Remeasurements:	
(1,953)	Actual Return less Expected Return on Pension Scheme Assets	10,903
0	Changes in Demographic Assumptions	2,070
7,161	Changes in Financial Assumptions	(25,850)
2,019	Other Experience	1,706
(45,457)	Deficit at end of Year	(57,658)

Reconciliation of Defined Benefit Obligation - Estimated by Actuary

2015/2016 £'000		2016/2017 £'000
147,683	Opening Position as at 31 March 2016	141,696
3,039	Current Service Cost	2,830
0	Past Service Cost	0
4,557	Interest Cost	4,784
	Actuarial Losses:	
0	Changes in Demographic Assumptions	(2,070)
(7,161)	Changes in Financial Assumptions	25,850
(2,019)	Other Experience	(1,706)
733	Member Contributions	740
(4,992)	Estimated Benefits Paid	(5,229)
(144)	Estimated Unfunded Benefits Paid	(135)
141,696	Defined Benefit Obligation at end of Year	166,760

Reconciliation of Fair Value of Employer Assets - Estimated by Actuary

2015/2016 £'000		2016/2017 £'000
96,317	Fair Value of Employer Assets at beginning of Year	96,239
2,969	Interest Income on Plan Assets	3,248
(1,953)	Actual Return less Expected Return on Pension Scheme Assets	10,903
3,165	Employer contributions	3,201
144	Contributions in respect of Unfunded Benefits	135
733	Member Contributions	740
(4,992)	Estimated Benefits Paid	(5,229)
(144)	Estimated Unfunded Benefits Paid	(135)
96,239	Fair Value of Employer Assets at end of Year	109,102

Recognition in the Profit or Loss

31 March 2016 £'000		31 March 2017 £'000
3,039	Current Service Cost	2,830
4,557	Interest Cost	4,784
(2,969)	Expected Return on Employer Assets	(3,248)
0	Past Service Cost	0
4,627	Total	4,366

Summary of Scheme Position over past Five Years - Actuarial Figures

	31 March 2013 £'000	31 March 2014 £'000	31 March 2015 £'000	31 March 2016 £'000	31 March 2017 £'000
Fair Value of Assets	85,761	86,077	96,317	96,239	109,102
<u>Less Present Value of Liabilities</u>	<u>(128,224)</u>	<u>(132,955)</u>	<u>(147,683)</u>	<u>(141,696)</u>	<u>(166,760)</u>
Surplus/(Deficit) in Scheme	(42,463)	(46,878)	(51,366)	(45,457)	(57,658)

Projected Pension Expense for the Year to 31 March 2018

	31 March 2017	
	% of pay	£'000
Projected Current Service Cost	-42.4%	4,565
Income Interest on Plan Assets	25.2%	(2,715)
Interest cost on Scheme Obligations	-38.8%	4,171
Total	-56.0%	6,021

The Actuary estimates the Council's Employer's Contributions for the Year to 31 March 2018 will be £3,257,000.

Maturity Profile of Defined Benefit Obligation

	Liability Split		Weighted Average Duration (years)*
	£'000	%	
Active Members	53,498	32.4%	22.6
Deferred Members	36,543	22.2%	22.1
Pensioner Members	74,994	45.4%	10.8
Total	165,035	100.0%	16.0

* weighted average duration at most recent actuarial valuation

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 2017	Approximate % increase to Employer Liability	Amount £'000
0.5% decrease in Real Discount Rate	9%	14,352
0.5% increase in the Salary Increase Rate	1%	1,732
0.5% increase in the Pension Increase Rate	7%	12,437

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	166,760
0.5% decrease in Real Discount Rate	181,112
0.5% increase in Salary Increase Rate	168,492
0.5% increase in Pension Increase Rate	179,197

42. Provisions, Contingent Liabilities and Contingent Assets

At 31 March 2017 the Council has no material provisions, contingent liabilities or contingent assets. It does, however, have a Collection Fund provision of £820,000 for losses on backdated appeal costs considering those businesses which have lodged appeals. See also note 4 to the Collection Fund on page 103.

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

2015/2016		2016/2017
£'000		£'000
	Expenditure	
5,267	Repairs and Maintenance	5,962
5,320	Supervision and Management	4,701
295	Rent, Rates, Taxes and other charges	242
9	Negative Subsidy transfer to General Fund	147
10	Transitional funding of Supporting People	37
9,017	Depreciation, Impairment and Revaluations Losses of Non-Current Assets	8,913
17	Debt Management Costs	26
80	Movement in the allowance for Bad Debts	41
20,015	Total Expenditure	20,069
	Income	
(28,981)	Gross Dwelling rents	(28,763)
(349)	Non-Dwelling Rents	(351)
(587)	Charges for services and facilities	(584)
(117)	Contributions towards expenditure	(430)
(30,034)	Total Income	(30,128)
(10,019)	Net Expenditure or Income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement	(10,059)
(27,979)	Exceptional Item - Upward revaluation reversing previous loss on Non Current Assets *	(5,096)
513	HRA services share of Corporate and Democratic Core	566
590	HRA share of other amounts included in the whole authority Cost of Services but not allocated to specific services	589
(36,895)	Net Expenditure or Income of HRA Services	(14,000)
	HRA share of the operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement:	
(1,756)	(Gain)/Loss on disposal for HRA non-current assets	(4,139)
5,822	Interest payable and similar charges	5,870
(245)	Interest and Investment income	(240)
(151)	Investment Properties	(117)
472	Pensions Interest Cost and Expected return on Pensions Assets	340
(56)	Government Grant towards revenue expenditure	(101)
(474)	Capital Grants and Contributions	(300)
(33,283)	(Surplus)/Deficit for the year on HRA Services	(12,687)

Notes to the Housing Revenue Account are contained in pages 95-100.

* 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 which is partly due to the Government increasing the adjustment factor by 1%. The amount shown in 2016/2017 is the final reversal of the loss put through the HRA Income and Expenditure Statement to reflect the loss previously recognised. The balance of the upward revaluation for 2016/2017 has been taken to the Revaluation Reserve.

Movement on the Housing Revenue Account Statement

2015/2016 £'000	2016/2017 £'000	2016/2017 £'000
(2,385) Balance on the HRA as at the end of the previous reporting period		(2,599)
(33,283) (Surplus)/Deficit on the HRA Income and Expenditure Statement	(12,687)	
32,915 Adjustments between accounting basis and funding basis under statute (note 5)	8,825	
(368) Net (increase) or decrease before transfers to or from reserves	(3,862)	
154 Transfers to or (from) reserves	4,433	
(214) (Increase) or decrease in year on the HRA		571
(2,599) Balance on the HRA at the end of the current reporting period		(2,028)

Notes to the Housing Revenue Account

1. Housing Revenue Account - Asset Analysis

2016/2017 Movements in number of Assets

	As at 1 April 2016	Reclass- ifications	Additions	Disposals	As at 31 March 2017
Property, Plant and Equipment					
Council Dwellings	4,856	(1)	26	(44)	4,837
Other Land and Buildings	759	(6)			753
Surplus Assets	0	1			1
Total Property, Plant and Equipment	5,615	(6)	26	(44)	5,591
Investment Properties	7	(1)			6
Assets Held for Sale	0	2			2
Total HRA Assets	5,622	(5)	26	(44)	5,599

Restated 2015/2016 Movements in number of Assets

	As at 1 April 2015	Reclass- ifications	Additions	Disposals	As at 31 March 2016
Property, Plant and Equipment					
Council Dwellings (restated)	4,858	0	19	(21)	4,856
Other Land and Buildings	759				759
Surplus Assets	0				0
Total Property, Plant and Equipment	5,617	0	19	(21)	5,615
Investment Properties	7				7
Assets Held for Sale	0				0
Total HRA Assets	5,624	0	19	(21)	5,622

Movements in 2016/2017

	Council Dwellings	Other Housing Land & Buildings	Vehicles, Plant and Equipment	Assets Under Construction	Total Housing Property, Plant and Equipment (not including Surplus) £'000	Surplus Housing Assets
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation						
At 1 April 2016	386,487	4,611	7	4,731	395,836	0
Adjustments between cost/value and depreciation/impairment	(2,850)	0			(2,850)	
Adjusted 1 April 2016 balance	383,637	4,611	7	4,731	392,986	0
Additions/enhancements	9,729			74	9,803	
Revaluation increases/(decreases) recognised in the Revaluation Reserve	231	1,043			1,274	55
Revaluation Increases/(decreases) recognised in the Net Cost of HRA Services	5,096				5,096	
Derecognition Disposals	(2,614)				(2,614)	
Reclassified to/from Held for	(171)				(171)	
Other Reclassifications	2,822	(25)		(2,822)	(25)	25
At 31 March 2017	398,730	5,629	7	1,983	406,349	80
Depreciation and Impairments						
At 1 April 2016	(8,822)	(194)	(5)		(9,021)	0
Adjustments between cost/value and depreciation/impairment	2,850	0			2,850	0
Adjusted 1 April 2016 balance	(5,972)	(194)	(5)	0	(6,171)	0
Charge for 2016/2017	(6,353)	(245)	(1)		(6,599)	
Depreciation written out to the Revaluation Reserve	5,972	59			6,031	1
Depreciation written out on revaluation to Net Cost of HRA Services					0	
Impairment (losses)/ reversals recognised in the Revaluation Reserve	0	(18)			(18)	
Impairment (losses)/reversals recognised in the Net Cost of HRA Services	(2,305)				(2,305)	
Reclassifications		1			1	(1)
At 31 March 2017	(8,658)	(397)	(6)	0	(9,061)	0
Balance Sheet amount at 31 March 2017	390,072	5,232	1	1,983	397,288	80

Movements in 2015/2016

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

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 2016/2017, 23 properties were sold through the right-to-buy scheme, three properties were staircased to 100%, and five properties were sold on the open market, resulting in a gain on disposal of £4.1million.

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

Impairments

The impairment loss for Council Dwellings for 2016/2017 comprises:

- demolitions in furtherance of redevelopment
- application of the social housing valuation to a new housing development that came into occupation in 2016/2017

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

1 April 2016 £'000		1 April 2017 £'000
1,181,786	General Stock (including Fully Sheltered Dwellings) and Shared Ownership	1,180,011
1,181,786		1,180,011

Explanation of the Vacant Possession Valuation

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

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

2015/2016 £'000		2016/2017 £'000
Capital Investment		
9,252	Council Dwellings	9,729
0	Other Housing Land & Buildings	0
2,302	Assets Under Construction	74
11,554		9,803
Sources of finance		
(5,743)	Revenue Contribution	(1,700)
(828)	Other Grant	(52)
(530)	Capital Receipts	(700)
(4,453)	Major Repairs Reserve	(7,351)
(11,554)		(9,803)

4. Capital Receipts received in year

2015/2016 £'000		2016/2017 £'000
2,380	Right-to-Buy	4,550
619	Other Buildings	2,188
11	Land	15
3,010		6,753

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

2015/2016
£'000

2016/2017
£'000

1. Adjustments between accounting basis and funding basis under regulations

Transfers to/from the Capital Adjustment Account (CAA)

(194)	Depreciation on other HRA Assets		(255)
(5,972)	Depreciation on Council Dwellings (equal to MRA)		(6,353)
27,979	Reversal of upward revaluation reversing previous loss		5,096
(2,850)	Reversal of impairment loss		(2,305)
97	Reversal of movements in the fair value of Investment Properties		63
	Net of Gain/(Loss) on disposal of HRA non-current assets		
(1,229)	Amount of non-current assets written off on disposal to CAA	(2,614)	
2,985	Sale proceeds (credited to the Capital Receipts Reserve)	6,753	
<u>1,756</u>			<u>4,139</u>
6,166	Transfer depreciation to the Major Repairs Reserve		6,427
5,743	Capital charged against the HRA balance		1,700
422	Capital Grants and Contributions applied to capital expenditure		0
52	Capital Grants and Contributions unapplied		300
(1,376)	Net charges made for retirement benefits in accordance with IAS19		(966)
1,092	Actual amount charged against the HRA Balance for pensions in the year		979
<u>32,915</u>			<u>8,825</u>

2. Transfers to / from Earmarked Reserves

1,779	Net transfer to New Affordable Homes Reserve		4,896
(91)	Net transfer to Stock Improvement Reserve		(727)
(1,537)	Revenue funded from Major Repairs Reserve		0
(53)	Net Contribution to Uninsured Loss Reserve		14
56	Transfer to/(from) Revenue Grants Earmarked Reserve		116
	Transfer to/(from) Earmarked Reserve		134
<u>154</u>			<u>4,433</u>

6. Rent Arrears

As at 31 March 2016			As at 31 March 2017		
Arrears	% of annual		Gross Annual	Arrears	% of
£'000	debit		Debit	£'000	annual
			£'000		
467	1.45%	Housing Stock	31,745	470	1.48%
2	1.12%	Shared Ownership	180	3	1.67%
<u>469</u>	<u>1.45%</u>		<u>31,925</u>	<u>473</u>	<u>1.48%</u>
469	1.45%	Total Arrears	31,925	473	1.48%

As at 31 March 2017, the balance of HRA provision for irrecoverable rent arrears was £170,000 (31 March 2016 £170,000)

The Collection Fund

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities, such as Waverley, to collect and redistribute revenue on behalf of other bodies. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and payments to local authorities and the Government of council tax and business rates.

2015/2016 £'000		Business Rates £'000	2016/2017 Council Tax £'000	Total £'000
INCOME				
(88,315)	Council Tax Receivable		(92,408)	(92,408)
(35,792)	Business Rates Receivable	(36,735)		(36,735)
(11)	Transitional Protection Payments Receivable	65		65
(124,118)	Total Income	(36,670)	(92,408)	(129,078)
EXPENDITURE				
Apportionment of 2015/2016 Estimated Surplus/(Deficit) distributed to the major preceptors in 2016/2017:				
481	Central Government (Business Rates)	(989)	0	(989)
644	Waverley Borough Council	(791)	175	(616)
1,575	Surrey County Council	(198)	1,015	817
262	Surrey Police & Crime Commissioner	0	180	180
2,962		(1,978)	1,370	(608)
Precepts, Demands and Shares:				
18,366	Central Government (Business Rates)	18,808	0	18,808
25,824	Waverley Borough Council (incl. parishes)	15,047 *	11,717	26,764
68,110	Surrey County Council	3,762	68,038	71,800
11,406	Surrey Police & Crime Commissioner	0	11,812	11,812
123,706		37,617	91,567	129,184
Charges to Collection Fund:				
468	Increase in allowance for Bad Debts	256	201	457
1,082	Increase(decrease) in Provision for Appeals	(100)	0	(100)
182	Cost of Collection (Business Rates)	179	0	179
1,732		335	201	536
4,282	(Surplus)/Deficit arising during the year	(696)	730	34
(2,665)	(Surplus)/Deficit brought forward 1 April 2016	2,890	(1,273)	1,617
1,617	(Surplus)/Deficit carried forward 31 March 2017	2,194	(543)	1,651

* From this £15,047,000 transfer to Waverley Borough Council, a tariff of £12,695,000 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	2015/2016		Ratio to Band D	Chargeable Dwellings	2016/2017	
	Band D equivalents	Average Council Tax £			Band D equivalents	Average Council Tax £
-	-	-	5/9	-	-	-
626.24	413.3	1,097.52	6/9	627.24	414.0	1,137.92
1,944.41	1,497.2	1,280.44	7/9	2,021.67	1,556.7	1,327.57
6,687.69	5,885.2	1,463.36	8/9	6,854.82	6,032.3	1,517.23
10,091.21	9,990.3	1,646.28	9/9	10,273.76	10,171.0	1,706.88
8,245.46	9,977.0	2,012.12	11/9	8,331.62	10,081.3	2,086.19
6,187.15	8,847.6	2,377.96	13/9	6,261.14	8,953.4	2,465.49
7,605.77	12,549.5	2,743.80	15/9	7,684.32	12,679.2	2,844.80
1,854.09	3,671.1	3,292.56	18/9	1,897.98	3,758.0	3,413.76
43,242.02	52,831.2			43,952.55	53,645.9	

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, Waverley Borough and Parish Councils (£91,566,835), dividing this by the total Band D equivalents shown above (53,645.9) and rounding for administrative purposes. The resultant average charge at Band D of £1,706.88 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 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 pays a tariff to the Government from the 40% that it retains, £12,695,000 in 2016/17, with the result that Waverley retains only some £1.8m from the £36.3m 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 2016/2017 the standard national rate multiplier was 49.7p (2015/2016 49.3p) and the small business multiplier was 48.4p (2015/2016 48.0p).

The total rateable value of business premises in Waverley as at 31 March 2017 was £94,785,531 (compared with £95,076,567 on 31 March 2016).

3. Write-offs of Bad Debts

In 2016/2017, £184,164 of Council Tax arrears were written off to the Impairment Allowance for Bad Debts compared with £47,819 in 2015/2016. For Business Rates, £235,786 of arrears were written off to the Impairment Allowance for Bad debts compared to £261,980 in 2015/2016.

4. Allocation of Year-End Balances:

Council Tax

The opening balance for the Council Tax element of the Collection Fund for 2016/2017 was a surplus of £1,273,382. Based on the estimated position in January 2016, a £1,370,000 surplus was distributed to the major preceptors in 2016/2017.

By the end of the 2016/2017 financial year, there was a £542,956 surplus on the Council Tax element of the Collection Fund. £500,000 will be distributed to the major preceptors during 2017/2018 in proportion to their demand on the fund in 2016/2017. The underpayment of £42,956 will be adjusted with major preceptors in 2018/2019 in proportion to the 2017/2018 demands on the Collection Fund.

	Waverley Borough Council	Surrey County Council	Surrey Police & Crime Commissioner	Total
	£	£	£	£
Share of estimated £500,000 surplus	(63,978)	(371,521)	(64,501)	(500,000)
Share of £42,956 underpaid	(5,451)	(32,093)	(5,412)	(42,956)
Net share of outturn	(69,429)	(403,614)	(69,913)	(542,956)

Business Rates

The opening balance for the Business Rates element of the Collection Fund for 2016/2017 was a deficit of £2,889,591.

In January 2017 the estimate of the final accumulated Business Rates position for 2016/2017 was a deficit of £2,359,829 and the Council advised precepting authorities accordingly for statutory 2017/2018 budget-setting purposes. At the end of the 2016/2017 financial year there was, however, only a £2,193,877 deficit on the Business Rates element of the Collection Fund.

The Council will adjust for the estimated deficit of £2,359,829 during the 2017/2018 year based on the applicable proportions and the understated amount of £165,952 will be adjusted against the 2018/2019 proportionate shares of non-domestic rate income.

	Waverley Borough Council	Surrey County Council	Central Government	Total
	£	£	£	£
Share of £2,359,829 estimated deficit	943,932	235,983	1,179,914	2,359,829
Share of £165,952 underdistributed in 2017/18	(66,381)	(16,595)	(82,976)	(165,952)
Net share of outturn	877,551	219,388	1,096,938	2,193,877

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 2017 as follows:

	Waverley Borough Council	Surrey County Council	Central Government	Total
	£	£	£	£
Share of £2,050,000 provision for backdated Business Rates appeal costs:	820,000	205,000	1,025,000	2,050,000

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.

2015/2016	Unrestricted Funds £'000	2016/2017 Endowment Funds £'000	Total Funds £'000
£'000			
Incoming Resources			
Incoming Resources from generated funds			
(1) Investment Income (Interest on cash balance)	(1)		(1)
Incoming resources from charitable activities			
(144) Management Fee	(129)		(129)
(145) Total Incoming Resources	(130)	0	(130)
Resources Expended			
Charitable activities			
7 Fees	5		5
5 Audit Fee	4		4
91 Management fee to Waverley Borough Council	80		80
44 Support costs	37		37
243 Depreciation and Impairment		241	241
390 Total Resources Expended	126	241	367
245 Net (incoming)/outgoing resources	(4)	241	237
Reconciliation of Funds			
(9,695) Funds brought forward as at 1 April 2016	(157)	(9,293)	(9,450)
245 Net Movement in Funds	(4)	241	237
(9,450) Funds carried forward as at 31 March 2017	(161)	(9,052)	(9,213)

Balance Sheet as at 31 March 2017

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 2016

		31 March 2017		Total £'000
		Unrestricted Funds £'000	Endowment Funds £'000	
Fixed Assets				
9,008	Land and Buildings		8,852	8,852
285	Plant and Equipment		200	200
<u>9,293</u>	Total Fixed Assets	0	9,052	9,052
Current Assets				
12	Debtors	11		11
158	Deposits with Waverley Borough Council	152		152
<u>170</u>		163	0	163
9,463	Total Assets	163	9,052	9,215
Less: Current Liabilities				
(13)	Creditors	(2)		(2)
<u>9,450</u>	Total Assets less Current Liabilities	161	9,052	9,213
The Funds of the Charity:				
(157)	Unrestricted Funds	(161)		(161)
(9,293)	Endowment Funds		(9,052)	(9,052)
<u>(9,450)</u>	Total Charity Funds	(161)	(9,052)	(9,213)

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.

2015/2016		Unrestricted Funds £'000	2016/2017 Endowment Funds £'000	Total Funds £'000
£'000				
	Incoming Resources			
	Incoming Resources from generated funds			
(9)	Investment Income (Interest on cash balance)	(9)		(9)
(98)	Rental Income	(98)		(98)
(74)	Benefits Subsidy	(53)		(53)
(181)	Total Incoming Resources	(160)	0	(160)
	Resources Expended			
	Charitable activities			
17	Premises (Building Maintenance)	32		32
2	Audit Fee	4		4
72	Benefits paid	62		62
10	Support Costs	7		7
36	Depreciation and Revaluations		36	36
137	Total Resources Expended	105	36	141
(44)	Net (incoming)/outgoing resources	(55)	36	(19)
	Reconciliation of Funds			
(2,677)	Funds brought forward as at 1 April 2016	(1,183)	(1,538)	(2,721)
(44)	Net Movement in Funds	(55)	36	(19)
(2,721)	Funds carried forward as at 31 March 2017	(1,238)	(1,502)	(2,740)

Balance Sheet as at 31 March 2017

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 2016		31 March 2017		
£'000		Unrestricted Funds £'000	Endowment Funds £'000	Total £'000
	Fixed Assets			
1,538	Other Land and Buildings - Trust dwellings		1,502	1,502
	Current Assets			
1,186	Deposits with Waverley Borough Council	1,254		1,254
	Less: Current Liabilities			
(3)	Creditors & Receipts in Advance	(16)		(16)
<u>1,183</u>	Net Current Assets	<u>1,238</u>	<u>0</u>	<u>1,238</u>
<u>2,721</u>	Total Assets less Current Liabilities	<u>1,238</u>	<u>1,502</u>	<u>2,740</u>
	The Funds of the Charity:			
(1,183)	Unrestricted Funds	(1,238)		(1,238)
(1,538)	Endowment Funds		(1,502)	(1,502)
<u>(2,721)</u>	Total Charity Funds	<u>(1,238)</u>	<u>(1,502)</u>	<u>(2,740)</u>

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 Loan Board

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

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

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