

# Unaudited Annual Financial Report 2017-2018

**Graeme Clark CPFA**  
Strategic Director



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# Waverley Borough Council – General Information

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

**Telephone:** 01483 523333

**Website:** [www.waverley.gov.uk](http://www.waverley.gov.uk)

## Councillors

Waverley Borough Council has 57 elected Councillors.

Leader Cllr J Potts

Deputy Leader Cllr G Hall

The Council is led by an Executive, which in 2017/2018 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 as at 31 March 2018

Corporate Strategy, Human Resources and LEP

Cllr J Potts

Economic Development

Cllr J Edwards

Customer and Corporate Services

Cllr T Martin

Planning

Cllr C Storey

Community Services

Cllr K Deanus

Health, Wellbeing and Culture

Cllr J Else

Finance Portfolio

Cllr G Hall

Environment Portfolio

Cllr A Bolton

Housing

Cllr C King

## Management Board as at 31 March 2018

Chief Executive

Tom Horwood (appointed December 2017)

Strategic Director and Section 151 Officer

Graeme Clark

Strategic Director

Annie Righton (appointed January 2018)

## External Auditors

Grant Thornton UK LLP

Director: Iain Murray

Senior Manager: Sophia Brown

Address: Grant Thornton UK LLP

30 Finsbury Square

London

EC2A 1AG

# Narrative Report to the Statement of Accounts 2017/2018

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## *Waverley the Place*

Waverley Borough is situated in South West Surrey and covers 345 square kilometres of predominantly rural countryside, much of which is designated Green Belt and an Area of Outstanding Natural Beauty with extensive areas of heath and woodland. Waverley is shaped by four distinct settlements; Godalming, Farnham, Haslemere and Cranleigh which bring with them a rich mix of historical perspective and identity. Waverley Borough Council (the Council) provides over 110 local services to a population which stood at 121,572 at the 2011 Census.

In accordance with the Council's commitment to openness, this Narrative Report to the Statement of Accounts presents an overview of the Council's finances for the financial year 1 April 2017 to 31 March 2018. It also shows how the Council has performed and identifies the challenges faced and aims to help readers understand the most significant issues reported in the accounts and how they relate to the Council's overall business.

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

The financial statements presented are those of the Council and its group entities, comprising Shottermill Recreation Ground Trust and the Ewart Bequest, to reflect the stewardship responsibility the Council has over these charitable funds. The Council is sole trustee for the Shottermill Recreation Ground Trust and the Ewart Bequest. The Shottermill Recreation Ground Trust owns the Haslemere Leisure

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

## *Purpose/Services*

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

Financial Headlines:

- Collected £35m of Business Rates but only receives £2m funding to spend on services (see page 12).
- Collected £97m of Council Tax of which £9m is kept by Waverley to spend on services (see page 12 – Council Tax income net of Precepts).
- Waverley holds £587m in assets (including Council Dwellings) which generate income to help deliver services (see page 16).
- Waverley's core government grant was only £60k and will be zero in 2018/19.
- Waverley spent £21m building new Waverley owned social rented homes for Waverley residents over the last three years.

## *Strategic objectives and Corporate Plan*

Waverley provides its services under its overarching strategic Corporate Plan. The Council adopted the current Corporate Plan in February 2016 which sets the priorities over the four year period to May 2019. The full Corporate Plan can be found on Waverley's website [www.waverley.gov.uk](http://www.waverley.gov.uk).

# Narrative Report to the Statement of Accounts 2017/2018

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The priorities set out in the Corporate Plan are:

- Customer Service
- Community Wellbeing
- Environment
- Value for Money

Key relationships with other parties for effective service delivery:

- Town and Parish councils
- Surrey County Council
- Community Organisations under Service Level Agreements
- Contractor partners, including Veolia, Mears, Glendale and Places for People

## *Major Achievements in 2017/2018*

- Adopted the Waverley Local Plan which sets out the policy for future development in the Borough.
- Developed a Property Strategy setting out process and criteria for prudent investment in property to support economic development in the Borough and Waverley's medium term financial plan – completed three acquisitions within the Borough during the year.
- Commenced the major Brightwells regeneration scheme which will bring new retail, leisure and housing to the centre of Farnham.
- Set a balanced budget with a clear strategy for addressing the budget shortfall in the medium term.
- Achieved a successful joint bid to become a pilot area for the Government's proposed business rates retention reforms.
- Continued to deliver new homes to meet demand with four properties added and 40 currently under construction.

## *Challenges facing Waverley*

- Uncertainty about future funding coming from the Government's Fair Funding Review and business rates proposals.
- Demographic changes and the budget pressures of adult social care demands being felt by Surrey County Council and filtering down to Borough Councils.
- Brexit will create uncertainty which could impact on interest rates, inflation, property values and rents.
- Inflation over 2017/2018 has impacted on pay, contractor and procurement costs.
- Government legislation on homelessness.
- Housing Revenue Account (HRA) financial constraints.
- Staff recruitment and retention in key professional roles.
- Local high house prices and demand for affordable housing.
- Major service contract procurements coming up in 2018/2019.

## *Governance*

Governance refers to the processes by which organisations are directed, controlled, led and held to account. The Annual Governance Statement (AGS) documents Waverley's approach to governance and ensures there are robust rules, systems and information available when managing and delivering services to the local community. There have been no significant changes in governance arrangements during the year and the AGS, which is detailed at page 109, describes how the arrangements have been working during 2017/2018. The AGS also identifies any issues arising in the year and details actions taken to address them.

# Narrative Report to the Statement of Accounts 2017/2018

The Council's Audit Committee provides scrutiny of Waverley's financial governance and management of risk.

## Financial Performance

Waverley has an excellent record of sound financial management which has been endorsed by its external auditors and external Strategic Review.

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

These plans comprise:

Annual revenue budget	To provide services during the year
Capital programme	Delivery of projects for longer term benefits including income generation. Waverley has a three year capital programme
Medium Term Financial Plan	Sets out the pressures and opportunities over the next few years and strategy to address the forecast funding shortfall to ensure there will be sufficient resources for service delivery

The key resources on which Waverley depends are:

### Financial Resources

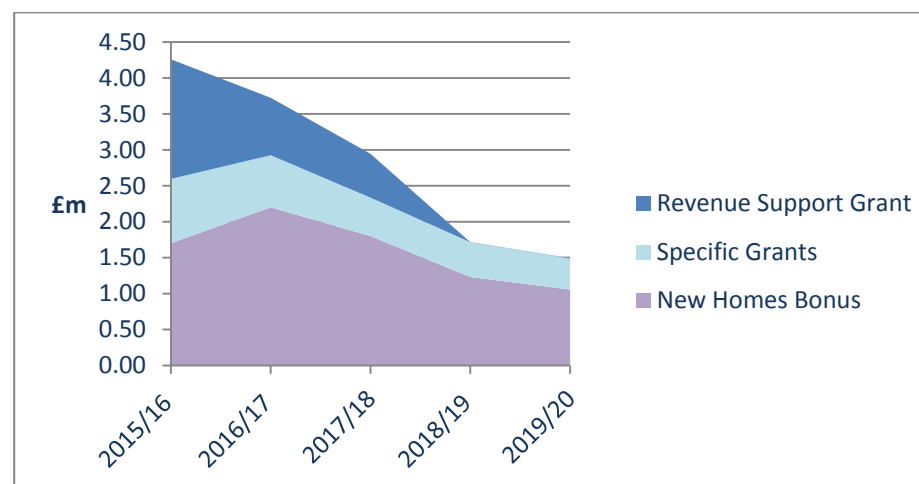
- Local taxation
- Income raised from fees and charges and property rents
- Grants

### Non Financial Resources

- Skilled and experienced staff
- Partnerships with other organisations
- Information sharing

Waverley has seen a reduction in Government funding over the past five years. In 2013/2014 £2.6m was received for revenue support grant, this has been reducing over the years and in 2018/2019 funding will be at zero.

Total Government revenue funding:

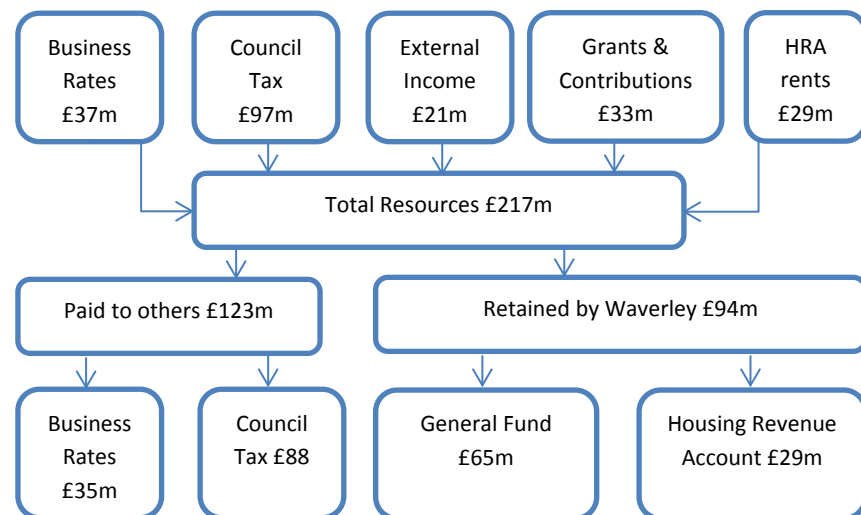


Through sound financial management and budgetary control during 2017/18 Waverley has again maintained service delivery without cuts.

# Narrative Report to the Statement of Accounts 2017/2018

## Cash flow

This shows Waverley's incoming resources and where they go:



## Revenue spend for year

The cost of providing services for the year is detailed in the Comprehensive income and Expenditure Statement at page 12.

In 2017/2018 Council spending on General Fund Services reported a surplus against budget of £246k against a net budget of £13.4million. The main contributors to this are:

- Achievement of additional investment property income from the acquisitions in year
- Improved performance on car parking income
- Additional interest earned on cash invested

However some services suffered a downturn in income, notably Building Control where a downward trend was experienced industry-wide.

The finances for Waverley's council houses are maintained in a ring-fenced account called the Housing Revenue Account (HRA). The HRA has an agreed 30-year Business Plan. Net revenue spend for the year was contained within the budget of £22million.

The net cost of services, as detailed in the Comprehensive Income and Expenditure Statement on page 12, is shown below.

	Gross Expenditure	Gross Income	Net Expenditure
	£'000	£'000	£'000
<b>General Fund</b>			
Policy and Governance	4,800	(1,092)	3,708
Planning	5,503	(1,963)	3,540
Customer and Corporate	2,585	(354)	2,231
Finance	32,070	(30,374)	1,696
Community	15,621	(6,028)	9,593
Environment	8,611	(7,026)	1,585
General Fund Housing	1,948	(920)	1,028
<b>Housing Revenue Account</b>	18,244	(29,931)	(11,687)
<b>Subsidiaries (Trusts)</b>	409	(179)	230
<b>Net Cost of Services</b>	<b>89,791</b>	<b>(77,867)</b>	<b>11,924</b>

For the full outturn report of revenue spend against budget for the General Fund and Housing Revenue Account for 2017/2018 see Executive Committee 5 June 2018.

# Narrative Report to the Statement of Accounts 2017/2018

## Capital Spend

Spend on Waverley assets totalled some £23million. This included investment in property and new homes as detailed below:

	Actual £'000
House renovation grants mainly for disabled people	466
Information technology to support customer services	41
Asset acquisitions	8,248
Other recreation and leisure facilities including playgrounds	174
Memorial Hall, Farnham	1,679
Leisure Centres	159
Other minor capital spend	255
New affordable homes	6,653
Improving council homes	4,886
<b>Total Capital Spend</b>	<b>22,561</b>

For the outturn report of capital spend against budget for 2017/2018 see Executive Committee 5 June 2018. The financing of this spend can be seen on page 54.

## Risks and Opportunities

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

Set out below are the principal risks and uncertainties faced by the Waverley as documented in its Corporate Risk Register. The Risk

Register includes mitigation against these risks as well as a risk rating and impact assessment.

The main areas in which risks arise comprise:

- Compliance with IT security standards that meet the Government requirements of Public Services Network (PSN).
- Compliance with the legal duties for Health and safety management.
- Engagement and reliance on Contractors for service delivery.
- Delivery of the Local Plan Part Two.
- Financial pressures on delivery of the Medium Term Financial Plan.
- Recruitment, development and retention of skilled staff.
- Governance failures.
- Major capital projects supporting regeneration.
- Emergency planning and the ability to provide an emergency response.
- Safeguarding responsibilities.
- Partnership working arrangements to support the delivery of financial savings and improved local services.
- Loss of planning making decisions due to inadequate performance on major appeals.
- Statutory responsibilities for homelessness prevention and affordable housing.
- Property investment in commercial ventures.
- Business continuity plan to support a response to a business interruption or disruption.
- New Data Protection requirements.



# Narrative Report to the Statement of Accounts 2017/2018

## Financial Statements

This Narrative Report is to the Statement of Accounts which set out the Council's income and expenditure for the year and its financial position at 31 March 2018. The Statement of Accounts, which comprises statements and disclosure notes, has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), and supported by International Financial Reporting Standards (IFRS).

The statement of accounts is subject to external audit scrutiny and opinion. This Narrative Report and the Annual Governance Statement lay outside the scope of this certification.

The Core Financial Statements are:

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

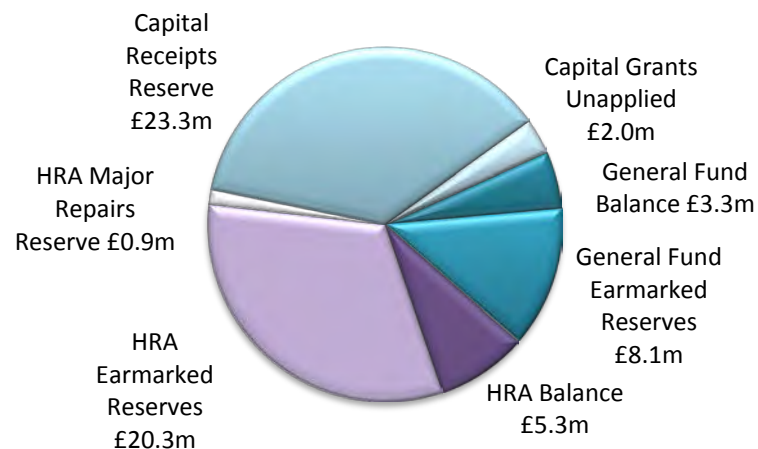
The **Movement in Reserves Statement** (page 14) shows movement in the year on the different reserves held by the Council, analysed into 'usable' reserves, those that can be applied to fund expenditure, invest in capital projects or service improvements and 'unusable' reserves which reflect the value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

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

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

The Council has usable reserves of £63.2 million as at 31 March 2018 as summarised below: (see note 28 to the Balance Sheet on page 67)

## Usable Reserves



# Narrative Report to the Statement of Accounts 2017/2018

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

Other Statements and key notes:

The **Housing Revenue Account** (page 88) details the expenditure, funded from rents, on the Council's statutory landlord function as a provider of social housing under the Local Government and Housing Act 1989.

The **Collection Fund** (page 96) summarises the collection of Council Tax and Business Rates and the redistribution to preceptors, the Government and the Council's General Fund.

## *Measuring Performance in 2017/2018*

Waverley measures and monitors its performance in a number of ways:

- ❖ At a **strategic** level the Council sets out its objectives in the Corporate Plan and measures performance against these objectives.
- ❖ At a **service level** Service Plans are prepared each year which set out the actions that underpin the Corporate Plan. Delivery of Service Plan actions are reported to Overview & Scrutiny Committees and in 2017/2018 over 90% of the service plan actions were completed successfully.

- ❖ At an **operational** level the Council uses a set of 51 key performance indicators to monitor performance in key services such as housing, the environment, planning and leisure. The final performance figures for 2017/2018 will be reported to the Executive in September 2018. Notable successes in 2017/2018 were the reduction in time taken to process benefit payments, increased levels of recycling, continuing very low levels of households in temporary accommodation and excellent performance on planning application processing.
- ❖ At an **individual** level the Council operates a system of personal performance reviews which set objectives and assess performance against objectives for each member of staff.
- ❖ Management of cashflow is monitored during the year with a target of achieving an average daily cash balance of less than £25,000.

# Narrative Report to the Statement of Accounts 2017/2018

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## *Looking ahead – addressing the financial challenges*

As Chief Financial Officer I consider that Waverley is well placed to face the challenges ahead.

In the light of continued financial pressure from government cuts and the impact of new legislation Waverley understands it needs to adapt to the challenges and changes ahead. Waverley has developed plans which include focusing on strengthening resilience in 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.

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

- Cost savings from better procurement
- Review of current and new income opportunities
- Efficiency and customer service improvement
- Property income
- Council tax increases

Waverley's aim is to continue to provide high quality services and replace diminishing traditional resources with alternative sources of income..

To use its resources to maximum effect Waverley will continue to:

- Strengthen its approach to risk management while also recognising this may bring opportunities to try new ventures and ways of working.
- Consider the needs of the community by engaging them in spending consultations.
- Spend appropriately to keep its assets fit to maintain service delivery.
- Consider different or innovative ways of delivering services.
- Improve performance and project management.
- Review all services and their budgets to identify areas of further efficiency and value, reducing waste and unnecessary bureaucracy.



**Graeme Clark**  
**Strategic Director and S151 Officer**

**Dated: 31 May 2018**

# 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;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

## The Chief Finance Officer's responsibilities

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


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

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

The Chief Finance Officer has also:

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

We declare that the Statement of Accounts for 2017/2018 gives a true and fair view of the financial position of the Council and its income and expenditure for the year ended 31 March 2018.



Graeme Clark  
Strategic Director  
and Section 151 Officer

Councillor John Gray  
Audit Committee (Chairman)

Dated: 31 May 2018

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. Local Authorities raise taxation and rents to cover expenditure in accordance with statutory requirements, this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2016/2017			2017/2018			
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
<b>Continuing Operations</b>						
<b>General Fund</b>						
4,371	(1,147)	3,224	Policy and Governance	4,800	(1,092)	3,708
4,636	(1,856)	2,780	Planning	5,503	(1,963)	3,540
4,199	(357)	3,842	Customer and Corporate	2,585	(354)	2,231
32,236	(30,647)	1,589	Finance	32,070	(30,374)	1,696
8,606	(4,261)	4,345	Community <sup>1</sup>	15,621	(6,028)	9,593
8,066	(6,502)	1,564	Environment	8,611	(7,026)	1,585
1,498	(585)	913	General Fund Housing	1,948	(920)	1,028
20,069	(30,128)	(10,059)	<b>Housing Revenue Account (p88)</b>	18,244	(29,931)	(11,687)
(5,096)	0	(5,096)	HRA Dwelling stock upward revaluation reversing previous loss	0	0	0
384	(156)	228	Subsidiaries (Trusts)	409	(179)	230
<b>78,969</b>	<b>(75,639)</b>	<b>3,330</b>	<b>Net Cost of Services</b>	<b>89,791</b>	<b>(77,867)</b>	<b>11,924</b>
<b>Other Operating Expenditure</b>						
		2,763	Precepts of Parish/Town Councils			2,927
		766	Contribution of Housing Capital Receipts to Government Pool			759
		(4,506)	(Gain)/Loss on disposal of non- current assets			(2,514)
<b>Financing and Investment Income and Expenditure</b>						
		5,708	Interest payable and similar charges			5,629
		1,536	Pension Interest Cost & Expected Return on Pension Assets (note 40)			1,455
		(490)	Interest and Investment Income			(449)
		(810)	Investment Properties (note 18)			(1,775)
<b>Taxation and Non-Specific Grant Income &amp; Expenditure</b>						
		(11,798)	Council Tax income			(12,282)
		(3,378)	Non-ringfenced Government grants (note 11)			(2,121)
		(2,237)	Business Rates income and expenditure			(1,788)
		(979)	Capital grants and contributions			(1,323)
		<b>(10,095)</b>	<b>(Surplus)/Deficit on Provision of Services</b>			<b>442</b>
		(10,635)	(Surplus)/Deficit on revaluation of non-current assets (p70)			(19,111)
		11,171	Remeasurement on Pension Fund Assets & Liabilities (page 81)			(1,989)
		<b>536</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(21,100)</b>
		<b>(9,559)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(20,658)</b>

<sup>1</sup> The revaluation of Cranleigh Leisure Centre resulted in an impairment loss of £4.7million, £292,000 was met from the Revaluation Reserve the remainder was charged to the (Surplus)/Deficit on Provision of Services.

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

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

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

<b>2016/2017</b>		<b>2017/2018</b>
<b>£'000</b>		<b>£'000</b>
<b>3,330</b>	<b>Group Net Cost of Services</b>	<b>11,924</b>
	<b>Less Subsidiary transactions:</b>	
	Net cost of Services	
(238)	Shottermill Recreation Ground	(208)
10	Ewart Bequest	(22)
<b>3,102</b>	<b>Single Entity Net Cost of Services</b>	<b>11,694</b>
(13,425)	<b>Group Other Income and Expenditure</b>	(11,482)
	<b>Less Subsidiary transactions:</b>	
1	Shottermill Recreation Ground	1
9	Ewart Bequest	8
<b>(13,415)</b>	<b>Single Entity Other Income and Expenditure</b>	<b>(11,473)</b>
<b>(10,313)</b>	<b>(Surplus)/Deficit for the year on the Single Entity Comprehensive Income and Expenditure Statement</b>	<b>221</b>
(10,095)	<b>(Surplus)/Deficit on Provision of Services - Group</b> (page 12)	442
(218)	Less Subsidiary transactions (identified above)	(221)
<b>(10,313)</b>	<b>(Surplus)/Deficit for the year on the Single Entity Comprehensive Income and Expenditure Statement</b>	<b>221</b>



## Group Movement in Reserves Statement 2017/2018

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					
	£'000	£'000	£'000	£'000	See note 28 £'000	See note 29 £'000	£'000	£'000	£'000
Balance at 31 March 2017	(14,730)	(24,502)	(19,773)	(1,629)	(60,634)	(249,597)	(310,231)	(11,953)	(322,184)
<b>Movement in reserves during 2017/2018</b>									
Total Comprehensive Income and Expenditure	6,829	(6,608)			221	(21,100)	(20,879)	81	(20,798)
Adjustments between accounting basis and funding basis under regulations (note 9)	(3,526)	4,682	(3,568)	(404)	(2,816)	2,816	0		0
<b>(Increase)/Decrease in 2017/2018</b>	<b>3,303</b>	<b>(1,926)</b>	<b>(3,568)</b>	<b>(404)</b>	<b>(2,595)</b>	<b>(18,284)</b>	<b>(20,879)</b>	<b>81</b>	<b>(20,798)</b>
<b>Balance at 31 March 2018 (carried forward)</b>	<b>(11,427)</b>	<b>(26,428)</b>	<b>(23,341)</b>	<b>(2,033)</b>	<b>(63,229)</b>	<b>(267,881)</b>	<b>(331,110)</b>	<b>(11,872)</b>	<b>(342,982)</b>

## Group Movement in Reserves Statement 2016/2017 - 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
		Housing Revenue Account Balances	Capital Receipts Reserve						
	£'000	£'000	£'000	£'000	See note 28 £'000	See note 29 £'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)
<b>Movement in reserves during 2016/2017</b>									
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 9)	(3,027)	9,749	(3,235)	(514)	2,973	(2,973)	0		0
<b>(Increase)/Decrease in 2016/2017</b>	<b>(653)</b>	<b>(2,938)</b>	<b>(3,235)</b>	<b>(514)</b>	<b>(7,340)</b>	<b>(2,437)</b>	<b>(9,777)</b>	<b>218</b>	<b>(9,559)</b>
<b>Balance at 31 March 2017 (carried forward)</b>	<b>(14,730)</b>	<b>(24,502)</b>	<b>(19,773)</b>	<b>(1,629)</b>	<b>(60,634)</b>	<b>(249,597)</b>	<b>(310,231)</b>	<b>(11,953)</b>	<b>(322,184)</b>

## Group Balance Sheet as at 31 March 2018

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 28). 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 29).

31 March 2017		31 March 2018			
Group £'000		Note	Single Entity £'000	Subsidiaries £'000	Group £'000
<b>Restated</b>	<b>Property, Plant and Equipment</b>	12			
390,072	Council Dwellings		403,857		403,857
90,173	Other Land and Buildings		75,334	10,300	85,634
3,255	Vehicles, Plant and Equipment		3,099	140	3,239
516	Infrastructure Assets		567		567
364	Community Assets		364		364
3,660	Surplus Assets		0		0
4,235	Assets Under Construction		10,923		10,923
<u>492,275</u>			<u>494,144</u>	<u>10,440</u>	<u>504,584</u>
17,328	<b>Investment Property</b>	18	26,116		26,116
1,276	<b>Heritage Assets</b>	19	1,274		1,274
433	<b>Intangible Assets</b>		344		344
4,041	Long Term Investments	21	4,051		4,051
28	Long Term Debtors		27		27
<u>515,381</u>	<b>Total Long-Term Assets</b>		<u>525,956</u>	<u>10,440</u>	<u>536,396</u>
	<b>Current Assets</b>				
46,093	Short Term Investments	21	46,086		46,086
530	Assets Held for Sale		220		220
6	Inventories		8		8
7,798	Short Term Debtors	25	8,529	11	8,540
9,347	Cash and Cash Equivalents	26	6,027	1,429	7,456
<u>63,774</u>	<b>Total Current Assets</b>		<u>60,870</u>	<u>1,440</u>	<u>62,310</u>
<u>579,155</u>	<b>Total Assets</b>		<u>586,826</u>	<u>11,880</u>	<u>598,706</u>
	<b>Current Liabilities</b>				
(3,561)	Short Term Borrowing *	21	(3,781)		(3,781)
(10,203)	Short Term Creditors	27	(9,982)	(8)	(9,990)
(820)	Provisions	41	(2,190)		(2,190)
<u>(14,584)</u>	<b>Total Current Liabilities</b>		<u>(15,953)</u>	<u>(8)</u>	<u>(15,961)</u>
	<b>Long-Term Liabilities</b>				
(183,548)	Long-term Borrowing *	21	(179,840)		(179,840)
(58,205)	Pensions Liability	40	(58,901)		(58,901)
(634)	Capital Grants Receipts in Advance		(1,022)		(1,022)
<u>(242,387)</u>	<b>Total Long-Term Liabilities</b>		<u>(239,763)</u>	<u>0</u>	<u>(239,763)</u>
<u><b>322,184</b></u>	<b>Net Assets</b>		<u><b>331,110</b></u>	<u><b>11,872</b></u>	<u><b>342,982</b></u>
	<b>Financed by:</b>				
(62,033)	Usable Reserves	28	(63,229)	(1,432)	(64,661)
(260,151)	Unusable Reserves	29	(267,881)	(10,440)	(278,321)
<u><b>(322,184)</b></u>	<b>Total Reserves</b>		<u><b>(331,110)</b></u>	<u><b>(11,872)</b></u>	<u><b>(342,982)</b></u>

\* 2016/2017 has been restated to reflect the repayment of borrowing in 2017/2018.

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## 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.

2016/2017

£'000		Note	Single Entity £'000	2017/2018 Group Activities £'000	Group Total £'000
<b>(10,095)</b>	<b>Net (Surplus)/Deficit on the Provision of Services *</b>		<b>221</b>	<b>221</b>	<b>442</b>
(13,532)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	30	(21,687)	(244)	(21,931)
8,589	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	30	9,552		9,552
<b>(15,038)</b>	<b>Net Cash-flows from Operating Activities</b>	33	<b>(11,914)</b>	<b>(23)</b>	<b>(11,937)</b>
19,704	<b>Investing Activities</b>	31	12,487		12,487
141	<b>Financing Activities</b>	32	1,341		1,341
<b>4,807</b>	<b>Net (increase)/decrease in Cash and Cash Equivalents</b>		<b>1,914</b>	<b>(23)</b>	<b>1,891</b>
14,154	Cash and Cash Equivalents at the beginning of the reporting period		7,941	1,406	9,347
9,347	Cash and Cash Equivalents at the end of the reporting period	26	6,027	1,429	7,456
<b>(4,807)</b>	<b>Movement in Cash increase/(decrease)</b>		<b>(1,914)</b>	<b>23</b>	<b>(1,891)</b>

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

For notes on the Group Cash-Flow Statement see notes 30-33.



## 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 2017/2018 financial year and its position at the year-end on 31 March 2018. 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 2017/2018 (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 applicable regulations.

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

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

## 1.2 Accruals of Income and Expenditure

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

- Revenue from 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, an accrual for the relevant amount is recorded in the Balance Sheet. The de minimis for the accrual of a single item of expenditure is £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 the General Fund is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement of an amount calculated on a prudent basis determined by the Council

in accordance with statutory guidance. 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.

### **Termination Benefits**

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

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

### **Post Employment Benefits**

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

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

- The liabilities of the Surrey Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc, and projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.6% in 2017/2018.

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

## **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, 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 34 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 35).

**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 34.

## 1.12 Intangible Assets

Expenditure on non-monetary 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 2017/2018 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 accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

#### **1.16 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**

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

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

### **Operating Leases**

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

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

### **1.17 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 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 a group of similar items with similar useful lives.
- 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 componentised values as detailed below.
- 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.

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 who is RICS qualified.

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

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

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

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

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

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

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

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

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

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

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

Depreciation is calculated on the following bases:

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

Depreciation on HRA assets – depreciation is charged in accordance with proper practices to the HRA. The Code requires an amount equal to the total depreciation

charge for all HRA assets to be transferred to the Major Repairs Reserve (MRR) to establish resources available for capital spend on HRA assets. This is transacted through the Movement in Reserves Statement to remove the impact on the HRA.

The estimated useful lives for depreciation purposes are reviewed on revaluation and when assets are coming to the end of their current useful life. Estimated useful lives are updated, if appropriate, and the new estimated useful life used to calculate the depreciation charge for the year by dividing the carrying value of the asset over the new estimated useful life. Where useful lives have been changed in 2017/2018, 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. 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 Capital Receipts Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

## **1.19 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.

The Council has a Collection Fund provision of £2,190,000 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.

**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 69.

## 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 2018.

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 2018 are included on pages 100 to 103 for information.

The full charity accounts are subject to audit/review according to audit thresholds. For the 2017/2018 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 2017/2018 Code.

For the 2017/2018 accounts the accounting changes to disclose are in relation to:

- IFRS 9 Financial Instruments - which introduces the expected credit loss model for impairment
- IFRS 15 Revenue from Contracts with Customers – the Code has been completely revised to reflect adoption of IFRS15 for recognising revenue.

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 38). The statements identify single entity figures and group transactions separately. The notes to the accounts reflect the single entity accounts but have been supplemented to show group transactions where material.

#### 3. Brightwells Lease

The 150-year Brightwells (East Street Regeneration Scheme) lease to Surrey County Council has been classified as a Finance lease.

### 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 2018 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 40 Defined Benefit Pension Schemes on page 86.

#### Bad Debts

The Council has an allowance for estimated Bad Debts (impairment allowance) which covers all major sources of income and expenditure (see note 25 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 (ie Level 1 inputs), their fair value is measured using valuation techniques. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible professional judgement is required. These judgements typically include considerations such as uncertainty and risk. However, changes in assumptions used could affect the fair value of the authority's assets and liabilities.

The Council has also made Collection Fund provision of £2,190,000 for the costs of backdated Business Rates Appeals. (see also Note 41 on page 86)

## **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 31st May 2018 by Mr Graeme Clark, Strategic Director for Waverley Borough Council.

Events taking place after this date are not reflected in the financial statements or notes. When events taking place before this date provided information about conditions existing at 31 March 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for the following event which took place after 31 March 2018 as it provides information that is relevant to an understanding of the Council's financial position but does not relate to conditions at that date:

- Since 31st March 2018 the Council has received four Judicial Review challenges to the adoption of the Local Plan (Part 1). The Council has approved £300,000 to defend against these challenges.

## 7. 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.

2016/2017			2017/2018		
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
<b>General Fund</b>					
3,043	(181)	3,224	3,235	(473)	3,708
2,532	(248)	2,780	2,925	(615)	3,540
275	(3,567)	3,842	737	(1,494)	2,231
2,483	894	1,589	2,403	707	1,696
3,381	(964)	4,345	3,670	(5,923)	9,593
1,504	(60)	1,564	1,276	(309)	1,585
849	(64)	913	895	(133)	1,028
(11,205)	(1,146)	(10,059)	(15,944)	(4,257)	(11,687)
0	5,096	(5,096)	0	0	0
<b>2,862</b>	<b>(240)</b>	<b>3,102</b>	<b>(803)</b>	<b>(12,497)</b>	<b>11,694</b>
(6,453)	<b>6,962</b>	<b>(13,415)</b>	2,180	<b>13,653</b>	<b>(11,473)</b>
<b>(3,591)</b>	<b>6,722</b>	<b>(10,313)</b>	<b>1,377</b>	<b>1,156</b>	<b>221</b>
<b>Opening Balances as at 1 April 2017</b>					
(14,077)			(14,730)		
(21,564)			(24,502)		
<b>(35,641)</b>			<b>(39,232)</b>		
<b>Surplus or Deficit in year</b>					
(653)			3,303		
(2,938)			(1,926)		
<b>(3,591)</b>			<b>1,377</b>		
<b>Closing Balances as at 31 March 2018</b>					
(14,730)			(11,427)		
(24,502)			(26,428)		
<b>(39,232)</b>			<b>(37,855)</b>		

For notes on the Expenditure and Funding Analysis see notes 7A to 8

## 7A. Note to the Expenditure and Funding Analysis

<b>Adjustments from the General Fund and HRA to arrive at the Comprehensive Income and Expenditure Statement amounts</b>	<b>2017/2018</b>			
	Adjustments for Capital Purposes	Net Charge for the Pension Adjustments	Other Differences	Total Adjustments
	Note 1	Note 2	Note 3	
	£'000	£'000	£'000	£'000
<b>General Fund</b>				
Policy and Governance	(18)	(455)		<b>(473)</b>
Planning	(5)	(610)		<b>(615)</b>
Customer and Corporate Services	(1,458)	(36)		<b>(1,494)</b>
Finance	(32)	739		<b>707</b>
Community	(5,550)	(373)		<b>(5,923)</b>
Environment	(37)	(272)		<b>(309)</b>
General Fund Housing		(133)		<b>(133)</b>
<b>Housing Revenue Account</b>	(4,166)	(91)		<b>(4,257)</b>
<b>Net Cost of Services</b>	<b>(11,266)</b>	<b>(1,231)</b>	<b>0</b>	<b>(12,497)</b>
Other income and expenditure from the Expenditure and Funding Analysis	15,418	(1,455)	(310)	<b>13,653</b>
Difference between Surplus or Deficit and Comprehensive Income & Expenditure Statement (Surplus) or Deficit on the Provision of Services	<b>4,152</b>	<b>(2,686)</b>	<b>(310)</b>	<b>1,156</b>

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

## 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.

## 7B. Segmental Income (Single Entity)

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

2016/2017 £'000		2017/2018 £'000
	<b>Income from Services</b>	
(4,636)	Environment	(5,093)
(28,763)	Housing Revenue Account	(28,579)
<b>(33,399)</b>	<b>Total</b>	<b>(33,672)</b>

## 8. Expenditure and Income analysed by nature (Single Entity)

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

2016/2017 £'000		2017/2018 £'000
	<b>Expenditure/Income</b>	
	<b>Expenditure</b>	
18,852	Employee costs	21,155
54,672	Other service expenses	55,329
(1,054)	Support Service recharges *	(538)
8,157	Depreciation, amortisation & impairment	15,806
5,718	Interest payments	5,638
2,763	Precepts and levies	2,927
766	Payment to Housing Capital Receipts Pool	759
<b>89,874</b>	<b>Total Expenditure</b>	<b>101,076</b>
	<b>Income</b>	
(46,271)	Fees, charges and other service income	(49,286)
(1,204)	Interest and Investment Income	(1,720)
(11,798)	Income from Council Tax, Non-domestic rates	(12,282)
(33,045)	Government Grants and Contributions	(31,402)
(2,237)	Business Rates distribution	(1,788)
(979)	Capital grants and contributions	(1,323)
(4,506)	(Gain)/Loss on disposal of non-current assets	(2,514)
(147)	Gain on fair value of Investment Properties	(540)
<b>(100,187)</b>	<b>Total Income</b>	<b>(100,855)</b>
<b>(10,313)</b>	<b>(Surplus) or Deficit on the Provision of Services</b>	<b>221</b>

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



## 9. Adjustments between accounting basis and funding basis under regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year, in accordance with proper accounting practice, to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

The following sets out a description of the reserves that the adjustments are made against.

### **General Fund Balance**

The General Fund is the statutory fund into which the receipts of the Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year. The balance is not available to be applied to fund Housing Revenue Account Services.

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

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

### **Major Repairs Reserve**

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

### **Capital Receipts Reserve**

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

### **Capital Grants Unapplied Account**

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

The statements on the following pages detail these adjustments.

<b>Adjustments between accounting basis and funding basis under regulations</b>						
<b>2017/2018</b>	<b>Usable Reserves</b>					<b>Movement in Unusable Reserves £'000</b>
	General Fund Balance £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
<b>Adjustments to the Revenue Resources</b>						
<b>Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:</b>						
Pensions costs (transferred to or from the Pensions Reserve) (see note 40)	(2,232)	(453)				(2,685)
Council Tax and NNDR (transfers to or from Collection Fund Adjustment Account)	(310)					(310)
<b>Reversal of entries included in the (Surplus) or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):</b>						
Depreciation of Property, Plant and Equipment	(898)		(6,418)			(7,316)
Impairment losses & reversals on Property, Plant & Equipment	(6,737)	(1,640)				(8,377)
Revaluation losses & reversals on Property, Plant & Equipment						0
Movements in the fair value of Investment Properties	503	37				540
Amortisation of Intangible assets	(102)		(11)			(113)
Impairment/Revaluation losses on Intangible assets	(3)					(3)
Depreciation of Heritage Assets						0
Capital grants and contributions applied	474	84			361	919
Income in relation to Donated Assets	151					151
Revenue expenditure funded from capital under statute (REFFCUS)	(15)					(15)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(3,643)	(1,623)				(5,266)
<b>Total Adjustments to Revenue Resources</b>	<b>(12,812)</b>	<b>(3,595)</b>	<b>(6,429)</b>	<b>0</b>	<b>361</b>	<b>(22,475)</b>

**CIES** - Comprehensive Income and Expenditure Statement

<b>Adjustments between accounting basis and funding basis under regulations</b>						
<b>2017/2018</b>	<b>Usable Reserves</b>					<b>Movement in Unusable Reserves £'000</b>
	General Fund Balance £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
<b>Adjustments between Revenue and Capital Resources</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	4,307	3,473		(7,780)		0
Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital Receipts Pool	(759)			759		0
Posting of HRA resources from revenue to the Major Repairs Reserve						0
Statutory provision for the repayment of debt			3,487			3,487
Capital expenditure charged against the General Fund and HRA balances	4,973	3,880				8,853
Other movements				(2)		(2)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>8,521</b>	<b>7,353</b>	<b>3,487</b>	<b>(7,023)</b>	<b>0</b>	<b>12,338</b>
<b>Adjustments to Capital Resources</b>						
Use of the Capital Receipts Reserve to finance new capital expenditure				3,455		3,455
Use of the Major Repairs Reserve to finance new capital expenditure			3,866			3,866
Capital grants and contributions unapplied credited to the CIES	765				(765)	0
<b>Total Adjustments to Capital Resources</b>	<b>765</b>	<b>0</b>	<b>3,866</b>	<b>3,455</b>	<b>(765)</b>	<b>7,321</b>
<b>Total Adjustments</b>	<b>(3,526)</b>	<b>3,758</b>	<b>924</b>	<b>(3,568)</b>	<b>(404)</b>	<b>(2,816)</b>

<b>Adjustments between accounting basis and funding basis under regulations</b>						
<b>2016/2017 Comparative figures</b>	<b>Usable Reserves</b>					<b>Movement in Unusable Reserves £'000</b>
	General Fund Balance £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
<b>Adjustments to the Revenue Resources</b>						
<b>Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:</b>						
Pensions costs (transferred to or from the Pensions Reserve) (see note 40)	(1,026)	13				(1,013)
Council Tax and NNDR (transfers to or from Collection Fund Adjustment Account)	184					184
<b>Reversal of entries included in the (Surplus) or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):</b>						
Depreciation of Property, Plant and Equipment	(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)
<b>Total Adjustments to Revenue Resources</b>	<b>(5,087)</b>	<b>253</b>	<b>(6,608)</b>	<b>0</b>	<b>350</b>	<b>(11,092)</b>

**CIES** - Comprehensive Income and Expenditure Statement

<b>Adjustments between accounting basis and funding basis under regulations</b>						
<b>2016/2017 Comparative figures</b>	<b>Usable Reserves</b>					<b>Movement in Unusable Reserves £'000</b>
	General Fund Balance £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
<b>Adjustments between Revenue and Capital Resources</b>						
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
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>1,496</b>	<b>8,272</b>	<b>181</b>	<b>(6,354)</b>	<b>0</b>	<b>3,595</b>
<b>Adjustments to Capital Resources</b>						
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
<b>Total Adjustments to Capital Resources</b>	<b>564</b>	<b>300</b>	<b>7,351</b>	<b>3,119</b>	<b>(864)</b>	<b>10,470</b>
<b>Total Adjustments</b>	<b>(3,027)</b>	<b>8,825</b>	<b>924</b>	<b>(3,235)</b>	<b>(514)</b>	<b>2,973</b>

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

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

1 April 2017 Balance £'000	Reserve	Net Movement in year £'000	31 March 2018 Balance £'000	Purpose of Reserve
	<b>General Fund</b>			
(2,686)	Revenue Reserve Fund	2,086	(600)	The RRF is a General Fund Reserve used for financing capital expenditure and supporting revenue.
(2,533)	Business Rates Retention Equalisation Reserve	(290)	(2,823)	To provide for the exposure to fluctuations in rateable values and deficit timing differences
(6,311)	Other Earmarked Reserves	1,621	(4,690)	Other reserves and funds
<b>(11,530)</b>	<b>Total</b>	<b>3,417</b>	<b>(8,113)</b>	

	<b>Housing Revenue Account</b>			
(12,277)	New Affordable Housing Reserve	913	(11,364)	Reserves created from surplus generated as a result of HRA self-financing
(7,312)	Dwelling Stock Improvement Reserve	467	(6,845)	
(1,087)	Other	(1,002)	(2,089)	Other reserves and funds
<b>(20,676)</b>	<b>Total</b>	<b>378</b>	<b>(20,298)</b>	

## 11. Non-ringfenced Government Grants

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

2016/2017 £'000		2017/2018 £'000
(765)	Revenue Support Grant	(61)
(2,234)	New Homes Bonus	(1,854)
(153)	Transition Grant	(152)
(226)	Other Revenue Grants	(54)
<b>(3,378)</b>		<b>(2,121)</b>

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

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

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.

## 12. Group Property, Plant and Equipment (PPE)

### Movements in 2017/2018

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Infra-structure £'000	Community Assets £'000	Surplus Assets £'000	Assets under Construction £'000	Total PPE £'000
<b>Cost or Valuation</b>								
At 1 April 2017	398,730	97,952	7,784	1,280	364	3,660	4,235	514,005
Adjustments between cost/value and depreciation/impairment	(2,305)	(5,444)	(200)					(7,949)
Adjusted 1 April 2017 balance	396,425	92,508	7,584	1,280	364	3,660	4,235	506,056
Additions/enhancement	4,886	59	387	91			8,382	13,805
Donations			177					177
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	11,197	1,908						13,105
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services								0
Derecognition Disposals	(1,093)	(46)				(3,580)		(4,719)
Reclassified to/from Held for Sale								0
Other Reclassifications		1,284				(80)	(1,297)	(93)
At 31 March 2018	411,415	95,713	8,148	1,371	364	0	11,320	528,331
<b>Depreciation and Impairments</b>								
At 1 April 2017	(8,658)	(7,779)	(4,529)	(764)	0	0	0	(21,730)
Adjustments between cost/value and depreciation/impairment	2,305	5,444	200	0	0	0	0	7,949
Adjusted 1 April 2017 balance	(6,353)	(2,335)	(4,329)	(764)	0	0	0	(13,781)
Charge for 2017/2018	(6,132)	(883)	(538)	(40)				(7,593)
Depreciation written out to the Revaluation Reserve	6,353	168						6,521
Impairment (losses)/ reversals recognised in the Revaluation Reserve		(523)	(5)					(528)
Impairment (losses)/ reversals recognised in the Surplus/Deficit on the Provision of Services	(1,426)	(6,520)	(37)				(397)	(8,380)
Other Reclassifications		14						14
At 31 March 2018	(7,558)	(10,079)	(4,909)	(804)	0	0	(397)	(23,747)
<b>Balance Sheet amount at 31 March 2018</b>	<b>403,857</b>	<b>85,634</b>	<b>3,239</b>	<b>567</b>	<b>364</b>	<b>0</b>	<b>10,923</b>	<b>504,584</b>

## 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
<b>Cost or Valuation</b>								
At 1 April 2016	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
<b>Depreciation and Impairments</b>								
At 1 April 2016	(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		(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)
<b>Balance Sheet amount at 31 March 2017</b>	<b>390,072</b>	<b>90,173</b>	<b>3,255</b>	<b>516</b>	<b>364</b>	<b>3,660</b>	<b>4,235</b>	<b>492,275</b>



## 13. Impairment Losses

The table below shows the impairment losses and impairment reversals charged to the (Surplus) or Deficit on the Provision of Services (shown in note 9). These are consolidated in note 12, which reconciles the movement over the year in Property, Plant and Equipment, together with Intangibles.

	<b>Total Impairments £'000</b>
<b>(Surplus)/ Deficit on Provision of Services</b>	
Council Dwellings	(1,426)
Land and Buildings *	(6,520)
Vehicles, Plant and Equipment	(34)
Assets Under Construction	(397)
<b>Total</b>	<b><u>(8,377)</u></b>
<b>Other Comprehensive Income and Expenditure</b>	
Land and Buildings	(523)
Vehicles, Plant and Equipment	(5)
<b>Total</b>	<b><u>(528)</u></b>

\* The revaluation of Cranleigh Leisure Centre resulted in an impairment loss of £4.7million, £292,000 was met from the Revaluation Reserve the remainder was charged to the (Surplus)/Deficit on Provision of Services.

## 14. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below together with the resources used for its financing.

	<b>2016/2017 £'000</b>	<b>2017/2018 £'000</b>
<b>Opening Capital Financing Requirement</b>	<b>194,358</b>	<b>194,358</b>
<b>Capital Investment</b>		
Property, Plant and Equipment (1)	11,807	13,805
Investment Properties (2)	2,514	8,248
Intangible Assets	105	27
Revenue Expenditure Funded from Capital under Statute (3)	431	481
<b>Total Capital Expenditure</b>	<b><u>14,857</u></b>	<b><u>22,561</u></b>
<b>Sources of finance</b>		
Grants and Other Contributions (4)	(792)	(1,387)
Major Repairs Reserve	(7,351)	(3,866)
Capital Receipts	(3,119)	(3,455)
Revenue	(3,595)	(8,853)
<b>Total Capital Financing</b>	<b><u>(14,857)</u></b>	<b><u>(17,561)</u></b>
<b>Closing Capital Financing Requirement</b>	<b><u>194,358</u></b>	<b><u>199,358</u></b>
<b>Movement</b>		
Increase in underlying need to borrow (unsupported by government financial assistance)	<b>0</b>	<b>5,000</b>

1. This figure matches the additions in note 12 Property, Plant and Equipment assets.
2. This figure matches the additions in note 18 Investment Properties.
3. 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.
4. Includes grants and contributions towards the Council's assets and non-Council owned assets.

## 15. Commitments under Capital Contracts

As at 31 March 2018, the major capital contracts entered into were as follows:

Contract	Purpose	Approximate value of remaining contractual commitment	Period of Investment
<b>General Fund</b>	Construction at Memorial Hall, Farnham	£'000 268	2018/19
<b>Housing Revenue Account</b>	Building 16 New dwellings in Godalming	985	2018/19
	Building 24 New dwellings in Godalming	436	2018/19
	Glazing HRA properties	340	2018/19

## 16. Information on Assets Held

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

	Number
<b>Council Dwellings</b>	4,822
<b>Other Land and Buildings</b>	
Garages	727
Art Centre	1
Museum & Garden	2
Halls	0
Leisure Centres	3
Depots & Workshops	2
Recreation Areas, Pavilions & Amenity Open Space	31
Office Premises	2
Miscellaneous Buildings	10
Public Conveniences	5
Day Centres	2
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.

### Heritage Assets

See Heritage Assets note 19.

## 17. Revaluation Information

### Valuation of property assets carried at fair value

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

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

<b>Carrying Value at 31 March 2018</b>	<b>Council Dwellings</b>	<b>Other Land and Buildings</b>	<b>Trust Assets</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Valued at fair value in:				
2017/2018	403,857	10,672	1,605	416,134
2016/2017		22,816		22,816
2015/2016		2,469		2,469
2014/2015		33,805	8,695	42,500
2013/2014		5,572		5,572
<b>Total</b>	<b>403,857</b>	<b>75,334</b>	<b>10,300</b>	<b>489,491</b>

## 18. Investment Property

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

- Industrial Estate & Units	31
- 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:

2016/2017 £'000		2017/2018 £'000
(714)	Rental Income	(1,271)
51	Direct Operating Expenses	36
<u>(147)</u>	Changes in fair value	<u>(540)</u>
<b><u>(810)</u></b>	<b>Net (gain)/loss</b>	<b><u>(1,775)</u></b>

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

The Council has no contractual obligations to purchase, construct or develop investment property, or for repairs, maintenance or enhancement.

### Movement on Investment Property

Investment Properties are valued in accordance with the Accounting Policies 1.15 on page 29. There has been no change in the valuation techniques used during the year.

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

2016/2017 £'000		2017/2018 £'000
14,667	<b>Balance at start of the year</b>	17,328
2,514	Additions *	8,248
<u>147</u>	Net gains or losses from fair value adjustments	<u>540</u>
<b><u>17,328</u></b>	<b>Balance at end of the year</b>	<b><u>26,116</u></b>

\* During 2017/2018 the Council acquired three office buildings in the Borough under its Property Strategy.

## 19. Heritage Assets

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

2016/2017 £'000		2017/2018 £'000
	<b>Cost or Valuation</b>	
1,225	At 1 April 2017	1,277
0	Disposals	(15)
52	Revaluation increases/(decreases) recognised in the Revaluation Reserve	13
<b>1,277</b>	<b>At 31 March 2018</b>	<b>1,275</b>
	<b>Depreciation and Impairment</b>	
(1)	At 1 April 2017	(1)
0	Depreciation	0
<b>(1)</b>	<b>At 31 March 2018</b>	<b>(1)</b>
<b>1,276</b>	<b>Balance Sheet amount at 31 March 2018</b>	<b>1,274</b>

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:

2016/2017 £'000		2017/2018 £'000
	<b>Valuation of heritage assets</b>	
315	Art Collection	315
368	Phillips Memorial Park	378
349	Museum of Farnham Collection	348
244	Other	233
<b>1,276</b>	<b>Total</b>	<b>1,274</b>

### 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.

## 20. 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 2018 consisted of Public Works Loan Board (PWLB) debt of £183,548,000. Under the 2017/2018 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 2018 (including a £4 million fixed term cash investment exceeding one year) 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' and have been measured at amortised cost on the Balance Sheet.

Balances in call accounts as at 31 March 2018 are shown under "Cash and Cash Equivalents" in the Balance Sheet (see note 26) as they represent highly liquid investments that are readily convertible to known amounts of cash, with an insignificant risk of a change 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 commission 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 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 2017/2018.

## 21. Financial Instruments Balances

The Balance Sheet shows the following categories of Financial Instrument:

31 March 2017 Balance			31 March 2018 Balance	
Long-Term £'000	Current £'000		Long-Term £'000	Current £'000
<b>Loans and Receivables</b>				
4,041	46,093	Investments	4,051	46,086
0	3,954	Net Trade Receivables (within Debtors)	0	4,350
0	7,941	Cash and Cash Equivalents	0	6,027
<u>4,041</u>	<u>57,988</u>	<b>Total Financial Assets</b>	<u>4,051</u>	<u>56,463</u>
<b>Financial Liabilities at amortised cost</b>				
(183,548)	(3,487)	Borrowings	(179,840)	(3,781)
0	(5,133)	Trade Payables (within Creditors)	0	(5,295)
<u>(183,548)</u>	<u>(8,620)</u>	<b>Total Financial Liabilities</b>	<u>(179,840)</u>	<u>(9,076)</u>
<b>Reconciliation of Current Net Trade Receivables to Total Short Term Debtors</b>				
	3,954	Net Trade Receivables (Current)		4,350
	3,941	Debtors that are not financial instruments		4,179
	<u>7,895</u>	<b>Total Short Term Debtors (Single Entity)</b>		<u>8,529</u>
<b>Reconciliation of Current Net Trade Payables to Total Short Term Creditors</b>				
	(5,133)	Trade Payables (Current)		(5,295)
	(2,826)	Creditors that are not financial instruments		(4,687)
	<u>(7,959)</u>	<b>Total Short Term Creditors (Single Entity)</b>		<u>(9,982)</u>

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

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

31 March 2017 Balance			31 March 2018 Balance	
Long-Term £'000	Current £'000		Long-Term £'000	Current £'000
<b>Borrowings</b>				
(183,548)	(3,487)	Nominal Amount	(179,840)	(3,708)
0	(74)	Accrued Interest	0	(73)
<u>(183,548)</u>	<u>(3,561)</u>	<b>Total Amortised Cost</b>	<u>(179,840)</u>	<u>(3,781)</u>

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

31 March 2017 Balance			31 March 2018 Balance	
Long-Term £'000	Current £'000		Long-Term £'000	Current £'000
<b>Investments</b>				
4,001	46,000	Nominal Amount	4,001	46,000
40	93	Accrued Interest	50	86
<b>On-call Investments within Cash and Cash Equivalents</b>				
0	10,069	Nominal Amount	0	8,474
0	2	Accrued Interest	0	0
<u>4,041</u>	<u>56,164</u>	<b>Total Amortised Cost</b>	<u>4,051</u>	<u>54,560</u>

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

## 22. 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:

2016/2017			2017/2018	
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
5,708	0	Total interest payable and other similar charges *	5,629	0
0	(490)	Total interest and investment income	0	(449)
<b>5,708</b>	<b>(490)</b>	<b>Net (gain)/loss for the year</b>	<b>5,629</b>	<b>(449)</b>

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

## 23. 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 2017/2018 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 2018 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 38).

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 fixed term deposits with Banks, Building Societies and Local Authorities. The maturity dates of all investments except one long term investment (maturing in April 2021) 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 2017 Balance			31 March 2018 Balance	
Carrying amount £'000	Fair value £'000		Carrying amount £'000	Fair value £'000
		<b>Financial Liabilities</b>		
187,109	227,141	PWLB Borrowing	183,621	217,155

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 2018) arising from a commitment to pay interest above current market rates.

## 24. 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 2017/2018 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 2017/2018, which reviews the arrangements and approved limits for the operation of the Council's Treasury Management Policy, can be found on the Council's website [www.waverley.gov.uk](http://www.waverley.gov.uk) (Executive 7 February 2017 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 to 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 maturity of no more than a year and must be with the UK Government, UK Local Authorities 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 undertaken by the Council 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 2017/2018 was as follows:

- Cash investments are 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.
- the Council will not make any non-specified cash investments, other than when the investment is non-specified by virtue of it being for a period of more than one year, subject to it being an approved counterparty and an assessment of risk.
- £10 million is the maximum investment in any single specified organisation at any one time.
- £20 million is 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, is used to ensure compliance with the strategy.
- every investment is ratings-checked on the day the investment is agreed 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.
- if cashflow certainty can be demonstrated over a longer term, the Council will consider investing in property provided that a business case is presented to Members including a risk and viability assessment.
- the Director of Finance and Resources can seek the approval of the Executive to change the above limits during the year if necessary, provided that it is in the best interests of the Council to do so.

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

The Council has no experience of default on its investments.

All the Council's £58.5 million external investments (including £8.5 million within Cash and Cash Equivalents) as at 31 March 2018 (£60 million total investments as at 31 March 2017) were either in UK banks, building societies or local authorities. The average number of days to maturity as at 31 March 2018 was 178 (288 as at 31 March 2017). The average rate of investment return in 2017/2018 was 0.65% (0.73% in 2016/2017).

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 2018 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 2018	Balance Invested as at 31 March 2018			Total
			Instant access	up to 1 year	over 1 year	
			£'000	£'000	£'000	£'000
			Length of investment from date invested to maturity date			
<b>Not rated *</b>	LA	LA	0	21,000	4,000	25,000
<b>AA- stable</b>	y	y	8,474	0	0	8,474
<b>A+ stable</b>	y	y **	0	8,000	0	8,000
<b>A stable</b>	y	y	0	14,000	0	14,000
<b>A- stable</b>	y	y	0	3,000	0	3,000
<b>Totals</b>			<b>8,474</b>	<b>46,000</b>	<b>4,000</b>	<b>58,474</b>

\* Waverley had 6 deposits with other Local Authorities as at 31 March 2018. Local Authorities are not generally rated individually but are considered equivalent to Government institutions and fall within the Annual Investment Strategy.

\*\* One of the three investments rated as A+ stable when taken out was rated as A stable at 31 March 2018.

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The comparative figures for the Council's investment portfolio as at 31 March 2017 are below:

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	
			Length of investment from date invested to maturity date			
			£'000	£'000	£'000	£'000
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- stable	y	y		3,000		3,000
<b>Totals</b>			<b>10,000</b>	<b>46,000</b>	<b>4,000</b>	<b>60,000</b>

### Trade Receivables

In relation to its customers, the Council does not generally allow credit, however it has a prudent impairment allowance for Bad debts (see note 25 on page 66) to cover cases of default.

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

The impairment allowances for trade receivables have been calculated using general past experience of default for the particular classes of debtor taking into account the age of outstanding debts. There are no trade receivables which are individually determined to be impaired at the Balance Sheet date.

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

### Liquidity risk

The Council has a comprehensive cash-flow management process that seeks to ensure that cash is available as needed. If unexpected movements happen the Council has ready access to borrowings from the market and the Public Works 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 22.5 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 2017 £'000s	% of total debt portfolio	Years	31 March 2018 £'000s	% of total debt portfolio
3,487	2	<b>Short Term Borrowing</b> < 1 year	3,708	2
17,218	9	<b>Long Term Borrowing</b> ≥ 1 year ≤ 5 years	21,508	12
46,223	25	>5 years ≤ 10 years	49,391	27
64,420	34	>10 years ≤ 15 years	53,254	29
52,449	28	>15 years ≤ 20 years	52,449	28
3,237	2	>20 years ≤ 25 years	3,238	2
<b>187,034</b>	<b>100</b>	<b>Total Borrowing</b>	<b>183,548</b>	<b>100</b>

## Market risk - interest rate risk

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

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

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

The Council's practice is to deal only in fixed rate sterling and fixed term investments. The Council's investments were all held at fixed rates as at 31 March 2018 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 £449,000 interest on its external investments in 2017/2018 at an average interest rate of 0.65%. If the average rate had been 0.2% less (ie 0.45%) the Council would have received approximately £138,000 less income; a 0.2% rise in interest rates would similarly have produced approximately £138,000 more income. In setting the Budget for 2018/2019 the Council forecast £463,000 external interest income.

The fair value of the Council's fixed rate PWLB borrowings (carrying value £183,621,000) was £217,155,000 at 31 March 2018. 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 £238,727,000 (£21,572,000 higher, but with no impact on the (Surplus) or Deficit on the Provision of Services or other Comprehensive Income and Expenditure). If the discount rates had been 1% higher the fair value of the loans would be £198,102,000 (£19,053,000 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 2017/2018 would be £199,106,000. There would be an early repayment penalty incurred by refinancing of £33,534,000

<b>Interest Rate profile of financial liabilities</b>	<b>31/03/2017</b>	<b>31/03/2018</b>
Total £'000	(187,109)	(183,621)
Weighted average interest rate (%)	3.0	3.1
Weighted average period (years)	11.6	11.1

## 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 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.

## 25. Short Term Debtors

31 March 2017 Balance £'000	Debtors	31 March 2018 Balance		
		Single Entity £'000	Group Activities £'000	Group Total £'000
1,968	Central Government bodies	2,462	0	2,462
0	less Impairment Allowance	0	0	0
<b>1,968</b>		<b>2,462</b>	<b>0</b>	<b>2,462</b>
423	Other Local Authorities	564	0	564
0	less Impairment Allowance	0	0	0
<b>423</b>		<b>564</b>	<b>0</b>	<b>564</b>
7,138	Other entities and individuals	7,190	11	7,201
(1,731)	less Impairment Allowance	(1,687)	0	(1,687)
<b>5,407</b>		<b>5,503</b>	<b>11</b>	<b>5,514</b>
<b>7,798</b>	<b>Total Debtors net of Impairment Allowance</b>	<b>8,529</b>	<b>11</b>	<b>8,540</b>

## 26. Cash and Cash Equivalents

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

31 March 2017 Balance £'000		31 March 2018 Balance		
		Single Entity £'000	Group Activities £'000	Group Total £'000
3	Cash held by the Council	3	0	3
(2,132)	Bank current accounts	(2,450)	0	(2,450)
10,070	Short-term investments	8,474	0	8,474
152	Shottermill Recreation Ground Trust	0	164	164
1,254	Ewart Bequest	0	1,265	1,265
<b>9,347</b>	<b>Total Cash and Cash Equivalents</b>	<b>6,027</b>	<b>1,429</b>	<b>7,456</b>

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

## 27. Short Term Creditors

31 March 2017 Balance £'000	Creditors	31 March 2018 Balance		
		Single Entity £'000	Group Activities £'000	Group Total £'000
(489)	Central Government bodies	(2,004)	0	(2,004)
(1,110)	Other Local Authorities	(1,466)	0	(1,466)
(8,604)	Other entities and individuals	(6,512)	(8)	(6,520)
<b>(10,203)</b>	<b>Total</b>	<b>(9,982)</b>	<b>(8)</b>	<b>(9,990)</b>

## 28. Usable Reserves

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

### Usable Reserves 2017/2018

1 April 2017 Balance £'000	Reserve	Net Movement in year £'000	31 March 2018 Balance £'000	Purpose of Reserve	Further detail of Movements
(3,200)	General Fund	(114)	(3,314)	Resources available to meet future running costs for non-housing services	See note 9 to the Financial Statements
(11,530)	General Fund Earmarked Reserves	3,417	(8,113)		See note 10
<b>(14,730)</b>	<b>Total General Fund</b>	<b>3,303</b>	<b>(11,427)</b>		
(2,028)	Housing Revenue Account	(3,228)	(5,256)	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
(20,676)	Housing Revenue Account Earmarked Reserves	378	(20,298)		See note 10
(1,798)	Housing Revenue Account - Major Repairs Reserve	924	(874)		
<b>(24,502)</b>	<b>Total Housing Revenue Account</b>	<b>(1,926)</b>	<b>(26,428)</b>		
(19,773)	Capital Receipts Reserve	(3,568)	(23,341)	Proceeds of non-current assets sales that can only be used to fund capital expenditure	See next page for explanation of movement
(1,629)	Capital Grants Unapplied Account	(404)	(2,033)	Capital resource applied when expenditure incurred	See note 37
<b>(60,634)</b>	<b>Total</b>	<b>(2,595)</b>	<b>(63,229)</b>		

## 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 9 to the Financial Statements
(10,877)	General Fund Earmarked Reserves	(653)	(11,530)		See note 10
<b>(14,077)</b>	<b>Total General Fund</b>	<b>(653)</b>	<b>(14,730)</b>		
(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 10
(2,722)	Housing Revenue Account - Major Repairs Reserve	924	(1,798)		
<b>(21,564)</b>	<b>Total Housing Revenue Account</b>	<b>(2,938)</b>	<b>(24,502)</b>		
(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 below for explanation of movement
(1,115)	Capital Grants Unapplied Account	(514)	(1,629)	Capital resource applied when expenditure incurred	See note 37
<b>(53,294)</b>	<b>Total</b>	<b>(7,340)</b>	<b>(60,634)</b>		

## Explanation of Movements on Usable Reserves

2016/2017 Movement £'000		2017/2018 Movement £'000
	<b>Capital Receipts Reserve</b>	
(7,120)	Capital Receipts in year (net of disposal costs)	(7,780)
766	Pooling of Housing Receipts	759
530	Capital Financing in year	3,455
0	Other movements	(2)
<b>(5,824)</b>		<b>(3,568)</b>

## 29. 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 2017/2018

1 April 2017 Balance £'000	Reserve	Net Movement in year £'000	31 March 2018 Balance £'000	Purpose of Reserve	Further detail of Movements
	<b>Revaluation balances</b>				
(37,054)	Revaluation Reserve	(16,669)	(53,723)	Holds unrealised gains and losses on revaluation of assets	See page 70 for explanation of movement
	<b>Adjustment Accounts</b>				
(271,556)	Capital Adjustment Account	(2,621)	(274,177)	Store of capital assets set aside to represent past expenditure	See page 71 for explanation of movement
58,205	Pensions Reserve	696	58,901	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	See note 40 to the core financial statements
808	Collection Fund Adjustment Account	310	1,118		
<b>(249,597)</b>	<b>Total Unusable Reserves</b>	<b>(18,284)</b>	<b>(267,881)</b>		

### Unusable Reserve 2016/2017

1 April 2016 Balance £'000	Reserve	Net Movement in year £'000	31 March 2017 Balance £'000	Purpose of Reserve	Further detail of Movements
	<b>Revaluation balances</b>				
(26,562)	Revaluation Reserve	(10,492)	(37,054)	Holds unrealised gains and losses on revaluation of assets	See page 70 for explanation of movement
	<b>Adjustment Accounts</b>				
(267,611)	Capital Adjustment Account	(3,945)	(271,556)	Store of capital assets set aside to represent past expenditure	See page 71 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 40 to the core financial statements
992	Collection Fund Adjustment Account	(184)	808		
<b>(247,160)</b>	<b>Total Unusable Reserves</b>	<b>(2,437)</b>	<b>(249,597)</b>		



## Explanation of Movements on Unusable Reserves

### Revaluation Reserve

The Revaluation Reserve contains gains made by the Council arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. The balance is reduced when assets with accumulated gains are:

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

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

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

<b>2016/2017 Movement £'000</b>		<b>2017/2018 Movement £'000</b>
(26,562)	<b>Balance at 1 April</b>	(37,054)
(12,770)	Upward Revaluations of assets	(19,639)
2,135	Downward revaluation of assets and impairment losses not charged to the (Surplus)/Deficit on the Provision of Services	528
(10,635)	(Surplus) or Deficit on revaluation of non-current assets not posted to the (Surplus) or Deficit on the Provision of Services (to CIES page 12)	(19,111)
143	Difference between fair value depreciation and historical cost depreciation	186
0	Accumulated gains on assets sold or scrapped	2,256
143	Amount written off to the Capital Adjustment Account	2,442
(10,492)	<b>Net Movement in year</b>	(16,669)
<b>(37,054)</b>	<b>Balance at 31 March</b>	<b>(53,723)</b>

## 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:

<b>2016/2017</b>		<b>2017/2018</b>
<b>Movement</b>		<b>Movement</b>
<b>£'000</b>		<b>£'000</b>
(267,611)	<b>Balance at 1 April</b>	(271,556)
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement (see note 9):</b>	
7,597	Depreciation of non-current assets	7,316
5,545	Impairment losses & reversals on Property, Plant & Equipment	8,377
(5,096)	Revaluation losses & reversals on Property, Plant & Equipment	0
111	Amortisation of intangible assets	113
0	Impairment of intangible assets	3
11	Revenue expenditure funded from capital under statute	15
2,614	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	5,266
<u>10,782</u>		<u>21,090</u>
(143)	Adjusting amounts written out of the Revaluation Reserve	(2,442)
<u>10,639</u>	Net written out amount of the cost of non-current assets consumed in the year	<u>18,648</u>
	<b>Capital financing applied in the year:</b>	
(3,119)	Use of the Capital Receipts Reserve to finance new capital expenditure	(3,455)
(7,351)	Use of the Major Repairs Reserve to finance new capital expenditure	(3,866)
(115)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(558)
(257)	Application of grants to capital financing from the Capital Grants Unapplied Account	(361)
0	Repayment of borrowing	(3,487)
(3,595)	Capital expenditure charged against the General Fund and HRA balances	(8,853)
<u>(14,437)</u>		<u>(20,580)</u>
(147)	Movements in the fair value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(540)
0	Donated Assets credited to the Comprehensive Income & Expenditure Statement	(151)
0	Other	2
<u>(3,945)</u>	<b>Net Movement in year</b>	<u>(2,621)</u>
<u>(271,556)</u>	<b>Balance at 31 March</b>	<u>(274,177)</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 40 for further detail

<b>2016/2017</b>		<b>2017/2018</b>
<b>£'000</b>		<b>£'000</b>
46,021	<b>Balance at 1 April</b>	58,205
11,171	Remeasurements of the net defined benefit liability/(asset)	(1,989)
4,366	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	6,204
(3,353)	Employer's pensions contributions and direct payments to pensioners payable in the year	(3,519)
<hr/> 12,184	<b>Net Movement in year</b>	<hr/> 696
<hr/> <b>58,205</b>	<b>Balance at 31 March</b>	<hr/> <b>58,901</b>

### 30. 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):

2016/2017 £'000		2017/2018 £'000
5,650	Interest paid	5,626
(457)	Interest received	(487)

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

2016/2017 £'000		2017/2018 £'000
(7,597)	Depreciation	(7,316)
(5,545)	Impairment and downward valuations	(8,380)
5,096	Revaluation losses and reversals on Property, Plant & Equipment	0
(111)	Amortisations	(113)
0	Impairment/Revaluation losses on Intangible assets	(3)
(109)	(Increase)/Decrease in Impairment Allowance	44
(705)	(Increase)/Decrease in Creditors	(125)
(841)	Increase/(Decrease) in Debtors	2,834
0	Increase/(Decrease) in Inventories	2
(1,013)	Pensions liability	(2,685)
(2,614)	Carrying amount of non-current assets sold	(5,266)
40	Provisions	(1,370)
147	Movements in the value of Investment Properties	540
0	Donated Assets	151
<b>(13,252)</b>	<b>Total non-cash movements</b>	<b>(21,687)</b>

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

2016/2017 £'000		2017/2018 £'000
490	Proceeds from Short-term Investments (cash interest on investments)	449
7,120	Proceeds from the sale of Property, Plant and Equipment	7,780
979	Grants received for financing of capital expenditure	1,323
<b>8,589</b>		<b>9,552</b>

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

2016/2017 £'000		2017/2018 £'000
14,031	Purchase of Property, Plant and Equipment and Intangible assets	22,436
121,750	Purchase of Short-term and Long-term Investments	99,350
(107,707)	Proceeds from Short-term Investments	(99,836)
(7,120)	Proceeds from the sale of Property, Plant and Equipment	(7,780)
(1,250)	Capital Grants and contributions received for the cost of purchasing Property, Plant and Equipment or Intangible assets	(1,683)
<b>19,704</b>	<b>Net cash-flows from Investing Activities</b>	<b>12,487</b>

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

2016/2017 £'000		2017/2018 £'000
0	Repayments of Short-term Borrowing	3,487
541	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	(41)
(400)	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	(2,105)
<b>141</b>	<b>Net cash-flows from Financing Activities</b>	<b>1,341</b>

### 33. 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:

2016/2017 £'000		2017/2018 £'000
<b>Gross cash receipts</b>		
(11,816)	Taxation - Council Tax collected in the year attributable to the Council	(11,498)
(15,047)	Taxation - Business Rates income in the year attributable to the Council	(15,158)
(34,041)	Grants (see note 41.)	(32,412)
(15,116)	Housing Rents	(15,224)
(32,861)	Sales of goods and services	(33,155)
<b>(108,881)</b>	<b>Cash inflows from operating activities</b>	<b>(107,447)</b>
<b>Gross cash payments</b>		
12,695	Waverley Business Rates tariff to Central Government	13,450
12,925	Cash paid to and on behalf of employees	13,058
15,659	Housing Benefit paid out	16,138
2,763	Precepts paid	2,927
768	Payments to the capital receipts pool	761
24,695	Cash paid to suppliers of goods and services	25,077
5,650	Interest paid	5,626
18,750	Other payments for operating activities	18,496
<b>93,905</b>	<b>Cash outflows generated from operating activities</b>	<b>95,533</b>
<b>(14,976)</b>	<b>Net cash-flows from Operating Activities</b>	<b>(11,914)</b>

## 34. 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:

2016/2017 Number of Employees	Remuneration Band	2017/2018 Number of Employees
5	£50,000 - £54,999	5
2	£55,000 - £59,999	2
5	£60,000 - £64,999	4
1	£65,000 - £69,999	3
3	£70,000 - £74,999	1
2	£75,000 - £79,999	4
0	£80,000 - £84,999	1
0	£85,000 - £89,999 *	1
1	£95,000 - £99,999	0
1	£100,000 - £104,999	1
1	£115,000 - £119,999	0
0	£180,000 - £184,999 *	1
21	Total **	23

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

\* Remuneration includes an exit package

\*\* The number remaining in post at year end 31st March 2018 is 20

The remuneration disclosures for designated Senior Officers (Management Board members) whose salary is also less than £150,000 but equal to or more than £50,000 per year are for 2017/2018:

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

2017/2018							
Post Title	Salary (including fees & allowances)	Expense allowance	Compensation for loss of office	Benefits in kind (car and medical insurance)	Total Remuneration excluding employers pension contributions	Employers Pension Contributions	Total Remuneration including pension contributions
	£	£	£	£	£	£	£
Chief Executive (from 19 March 2018)	4,333	0	0	0	<b>4,333</b>	715	<b>5,048</b>
Executive Director (to 31st July 2017)	45,102	1,828	132,344	1,689	<b>180,963</b>	6,101	<b>187,064</b>
Strategic Director - Frontline Services (to 1st Jan 2018)	72,712	3,440	0	3,554	<b>79,706</b>	11,560	<b>91,266</b>
Strategic Director (was Strategic Director Finance and Resources)	92,566	3,342	0	4,687	<b>100,595</b>	15,216	<b>115,811</b>

The comparative information for 2016/2017 is:

2016/2017						
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	109,825	4,525	4,992	<b>119,342</b>	18,122	<b>137,464</b>
Strategic Director Frontline Services	91,726	4,525	4,385	<b>100,636</b>	15,135	<b>115,771</b>
Strategic Director - Finance and Resources	87,200	4,186	4,546	<b>95,932</b>	14,388	<b>110,320</b>

### Exit Packages

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

2017/2018				
(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 £
£1-£20,000	6		6	<b>48,380</b>
£20,001-£60,000	4		4	<b>137,682</b>
£100,001 - £150,000		1	1	<b>132,758</b>

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	<b>1,183</b>

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

### 35. 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 £392,400 were paid in 2017/2018 (2016/2017 £378,097). A detailed list of the allowances paid to each Member can be found on the Council's website and is summarised below:

2016/2017 £'000		2017/2018 £'000
261	Basic Allowance	265
98	Special Responsibility Allowance	109
16	Travelling and Subsistence Allowance	15
3	Internet Charges	3
<b>378</b>		<b>392</b>

### 36. 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:

2016/2017 £'000		2017/2018 £'000
54	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	54
16	Fees payable to external auditors for the certification of grant claims and returns for the year	16
3	Fees payable in respect of other services provided by external auditors during the year *	3
<b>73</b>		<b>73</b>

\*The fee for other services payable in 2017/2018 related to the Housing Capital Receipts claim. A credit of £8,010 was received in November 2017 relating to the distribution of surplus PSAA (Public Sector Audit Appointments) funds.

### 37. 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 2017 Balance		2017/2018			31 March 2018 Balance
£'000		Credited to Taxation and Non-Specific Grant Income £'000	Used to Finance Capital Expenditure in Year £'000	Other funding £'000	£'000
(953)	Section 106 Contributions	(389)	68		(1,274)
(15)	Other Contributions	(689)	551		(153)
(300)	Homes and Communities Agency	0	300		0
(361)	Disabled Facilities Grant (unused)	(245)			(606)
<b>(1,629)</b>		<b>(1,323)</b>	<b>919</b>	<b>0</b>	<b>(2,033)</b>



## 38. 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:

2016/2017 £'000		2017/2018 £'000
(14,986)	Rent Allowances	(14,896)
(13,761)	Rent Rebates	(13,225)
(2,234)	New Homes Bonus	(1,854)
(765)	Revenue Support Grant	(61)
(493)	Retained Business Rates grants	(1,000)
(388)	Benefits Administration Subsidy	(362)
(176)	Supporting People (from Surrey County Council)	(176)
(153)	Transition Grant (from DCLG to support revenue)	(152)
(132)	Discretionary Housing Payments	(203)

#### Revenue expenditure on a cash basis:

2016/2017 £'000		2017/2018 £'000
12,695	Retained Business Rates tariff payment	13,450

### 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 2017/2018, there were no material transactions identified.

Disclosures on Members' Allowances can be found in note 35. page 77 and Officers' Remuneration in note 34 page 75.

**Pension Fund** - is administered by Surrey County Council, details of the Pension Fund are shown in note 40 page 80.

## 39. Leases

### The Council's activity as lessor:

#### Finance Leases

At 31 March 2018 the Council has one material asset, Brightwells (East Street Regeneration Scheme), which it has granted a 150 year finance lease to Surrey County Council. The Finance lease debtor has been immediately extinguished by a premium.

#### Operating Leases

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

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

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

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

<b>31 March 2017</b>		<b>31 March 2018</b>
<b>£'000</b>		<b>£'000</b>
1,224	Not later than one year	<b>1,517</b>
2,960	Later than one year and not later than five years	<b>3,782</b>
55,074	Later than five years	<b>55,321</b>
<hr/> <b>59,258</b>		<hr/> <b>60,620</b>

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

## 40. Defined Benefit Pension Schemes

### Participation in Pension Schemes

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

The Council participates in The Local Government Pension Scheme (LGPS) which is administered by Surrey County Council. It is a funded defined benefit salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets in the long term. (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 LLP, the Actuary to the Surrey Pension Fund, and have been produced in accordance with Technical Actuarial Standard 100: Principles for Technical Actuarial Work, which came into force on 1 July 2017.

The Actuary has used the 'projected unit credit' method of valuation to project the valuation results of the latest formal valuation date forward to 31 March 2018 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 (1.7).

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

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

2016/2017  
£'000

2017/2018  
£'000

### Comprehensive Income and Expenditure Statement

Cost of Services:		
2,830	Current Service Cost	4,673
0	Past Service Cost	76
Financing and Investment Income and Expenditure:		
1,536	Net interest expense	1,455
<b>4,366</b>	<b>Total Post-employment Benefits charged to the (Surplus) or Deficit on the Provision of Services</b>	<b>6,204</b>
<b>Other Post-employment Benefits charged to the (Surplus) or Deficit on the Provision of Services</b>		
Remeasurement of the net defined benefit liability comprising:		
(10,903)	Return on assets (excluding the amount included in net interest expense)	847
(2,070)	Actuarial losses/(gains) arising on changes in demographic assumptions	0
25,850	Actuarial losses/(gains) arising on changes in financial assumptions	(2,874)
(1,706)	Other experience losses/(gains)	38
<b>11,171</b>	<b>Total remeasurement of the net defined benefit liability loss / (gain)</b>	<b>(1,989)</b>
<b>15,537</b>	<b>Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>4,215</b>

### Movement in Reserves Statement

#### General Fund Balance

(3,400)	Reversal of net charges made to the (Surplus) or Deficit for the Provision of Services for post-employment benefits in accordance with the code	(4,683)
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Actual amount charged against the General Fund Balance:

2,374	Employers' contributions payable to scheme	2,451
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#### Housing Revenue Account Balance

(966)	Reversal of net charges made to the (Surplus) or Deficit for the Provision of Services for post-employment benefits in accordance with the code	(1,521)
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Actual amount charged against the HRA Balance for pensions in the year:

979	Employers' contributions payable to scheme	1,068
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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 2017		31 March 2018	
£'000		£'000	
(166,760)	Estimated liabilities in scheme	(168,422)	
108,554	Estimated assets in scheme *	109,520	
<b>(58,206)</b>	<b>Net asset/(liability) *</b>	<b>(58,902)</b>	

The liabilities show the underlying commitments that the Council has to pay retirement benefits. The net liability of £58.9million 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 2018 has been reduced from the Actuary's estimate by £556,000 to reflect the actual cumulative payments made to the Fund. The net liability shown here is therefore £556,000 higher than the actuarial figure of £58.346million.

### Basis for Estimating Assets and Liabilities

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

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

31 March 2017		31 March 2018	
2.7%	Rate of increase in salaries	2.7%	
2.4%	Rate of increase in pensions	2.4%	
2.5%	Rate for discounting scheme liabilities	2.6%	
25%/63%	Take-up of option to convert annual pension into retirement grant (pre/post April 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) 2013 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 2017			31 March 2018		
Males	Females		Males	Females	
22.5 years	24.6 years	Current Pensioners	22.5 years	24.6 years	
24.1 years	26.4 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 Surrey Pension Fund are valued at bid value as required under IAS19. The figures for the Council represent a proportionate share of the Fund as a whole.

<b>31 March 2017</b>		<b>31 March 2018</b>
<b>Assets</b>		<b>Assets</b>
<b>£'000</b>		<b>£'000</b>
	<b>Equity investments:</b>	
8,851	Consumer	8,930
8,024	Manufacturing	8,095
4,399	Energy & Utilities	4,438
7,718	Financial Institutions	7,787
2,915	Health & Care	2,941
6,145	Information Technology	6,200
222	Other	224
	<b>Debt Securities:</b>	
3,787	Corporate Bonds (investment grade)	3,821
239	Corporate Bonds (non-investment grade)	241
222	UK Government	224
500	Other	506
4,579	<b>Private Equity *</b>	4,620
	<b>Real Estate: *</b>	
6,204	UK Property	6,259
40	Overseas Property	41
	<b>Investment Funds &amp; Unit Trusts</b>	
30,254	Equities	30,524
11,926	Bonds	12,032
	<b>Derivatives:</b>	
(3)	Interest Rate	(3)
155	Foreign Exchange	156
12,925	<b>Cash &amp; Equivalents</b>	13,040
<b>109,102</b>		<b>110,076</b>

\* All scheme assets have quoted prices in active markets with the exception of the Private Equity assets, the Real Estate Overseas Property assets and £4,505k of the Real Estate UK Property assets.

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

2016/2017 £'000		2017/2018 £'000
(45,457)	Opening Position as at 31 March 2017	(57,658)
(2,830)	Current Service Cost	(4,673)
0	Past Service Cost	(76)
3,201	Employer Contributions	3,393
135	Contributions in respect of Unfunded Benefits	134
(1,536)	Net Return on Assets	(1,455)
	Actuarial Remeasurements:	
10,903	Actual Return less Expected Return on Pension Scheme Assets	(847)
2,070	Changes in Demographic Assumptions	0
(25,850)	Changes in Financial Assumptions	2,874
1,706	Other Experience	(38)
<b>(57,658)</b>	<b>Deficit at end of Year</b>	<b>(58,346)</b>

## Reconciliation of Defined Benefit Obligation - Estimated by Actuary

2016/2017 £'000		2017/2018 £'000
141,696	Opening Position as at 31 March 2017	166,760
2,830	Current Service Cost	4,673
0	Past Service Cost	76
4,784	Interest Cost	4,170
	Actuarial Losses:	
(2,070)	Changes in Demographic Assumptions	0
25,850	Changes in Financial Assumptions	(2,874)
(1,706)	Other Experience	38
740	Member Contributions	758
(5,229)	Estimated Benefits Paid	(5,045)
(135)	Estimated Unfunded Benefits Paid	(134)
<b>166,760</b>	<b>Defined Benefit Obligation at end of Year</b>	<b>168,422</b>

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

2016/2017 £'000		2017/2018 £'000
96,239	Fair Value of Employer Assets at beginning of Year	109,102
3,248	Interest Income on Plan Assets	2,715
10,903	Actual Return less Expected Return on Pension Scheme Assets	(847)
3,201	Employer contributions	3,393
135	Contributions in respect of Unfunded Benefits	134
740	Member Contributions	758
(5,229)	Estimated Benefits Paid	(5,045)
(135)	Estimated Unfunded Benefits Paid	(134)
<b>109,102</b>	<b>Fair Value of Employer Assets at end of Year</b>	<b>110,076</b>

## Recognition in the Profit or Loss

31 March 2017 £'000		31 March 2018 £'000
2,830	Current Service Cost	4,673
4,784	Interest Cost	4,170
(3,248)	Expected Return on Employer Assets	(2,715)
0	Past Service Cost	76
<b>4,366</b>	<b>Total</b>	<b>6,204</b>

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

	31 March 2014 £'000	31 March 2015 £'000	31 March 2016 £'000	31 March 2017 £'000	31 March 2018 £'000
Fair Value of Assets	86,077	96,317	96,239	109,102	110,076
<u>Less Present Value of Liabilities</u>	<u>(132,955)</u>	<u>(147,683)</u>	<u>(141,696)</u>	<u>(166,760)</u>	<u>(168,422)</u>
<b>Surplus/(Deficit) in Scheme</b>	<b>(46,878)</b>	<b>(51,366)</b>	<b>(45,457)</b>	<b>(57,658)</b>	<b>(58,346)</b>

## Projected Pension Expense for the Year to 31 March 2019

	31 March 2019 % of pay	£'000
Projected Current Service Cost	-41.0%	4,513
Income Interest on Plan Assets	25.8%	(2,847)
Interest cost on Scheme Obligations	-39.7%	4,378
<b>Total</b>	<b>-54.9%</b>	<b>6,044</b>

The Actuary estimates the Council's Employer's Contributions for the Year to 31 March 2019 will be £3,296,000.



## Maturity Profile of Defined Benefit Obligation

	Liability Split		Weighted Average Duration (years)*
	£'000	%	
Active Members	58,524	35.1%	22.6
Deferred Members	36,461	21.9%	22.1
Pensioner Members	71,771	43.0%	10.8
<b>Total</b>	<b>166,756</b>	<b>100.0%</b>	<b>16.0</b>

\* 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 2018	Approximate % increase to Employer Liability	Amount £'000
0.5% decrease in Real Discount Rate	9%	14,934
0.5% increase in the Salary Increase Rate	1%	1,721
0.5% increase in the Pension Increase Rate	8%	13,044

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

	Defined Benefit Obligation £'000
No change to assumptions	168,422
0.5% decrease in Real Discount Rate	183,356
0.5% increase in Salary Increase Rate	170,143
0.5% increase in Pension Increase Rate	181,466

## 41. Provisions

At 31 March 2018 the Council has a Collection Fund provision of £2,190,00 for losses on backdated appeal costs covering the 2010 and 2017 Business Rates Rating Lists. See also note 4 to the Collection Fund on page 98.

	2017/2018 £'000
<b>Balance at start of the year</b>	<b>820</b>
Recognition of Surrey County Council and Government balances at beginning of year	1,230
Additional provision made in 2017/2018	3,844
Amounts used in 2017/2018	(420)
Derecognition of Surrey County Council and Government balances at end of year	(3,284)
<b>Balance at end of the year</b>	<b>2,190</b>

## 42. Contingent Liabilities and Contingent Assets

At 31 March 2018 the Council has no material contingent liabilities or contingent assets.

## **Supplementary Financial Statements**

Housing Revenue Account (HRA)

The Collection Fund

## Housing Revenue Account (HRA) Income and Expenditure Statement

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. The Council charges rents to cover expenditure in accordance with the legislative framework. This may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

2016/2017 £'000		2017/2018 £'000
	<b>Expenditure</b>	
5,962	Repairs and Maintenance	4,486
4,701	Supervision and Management	5,318
242	Rent, Rates, Taxes and other charges	268
147	Negative Subsidy transfer to General Fund	4
37	Transitional funding of Supporting People	23
8,913	Depreciation, Impairment and Revaluations Losses of Non-Current Assets	8,069
26	Debt Management Costs	26
41	Movement in the allowance for Bad Debts	50
<b>20,069</b>	<b>Total Expenditure</b>	<b>18,244</b>
	<b>Income</b>	
(28,763)	Gross Dwelling Rents	(28,579)
(351)	Non-Dwelling Rents	(371)
(584)	Charges for services and facilities	(734)
(430)	Contributions towards expenditure	(247)
<b>(30,128)</b>	<b>Total Income</b>	<b>(29,931)</b>
<b>(10,059)</b>	<b>Net Expenditure or Income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement</b>	<b>(11,687)</b>
(5,096)	Exceptional Item - Upward revaluation reversing previous loss on Non Current Assets *	0
566	HRA services share of Corporate and Democratic Core	566
589	HRA share of other amounts included in the whole authority Cost of Services but not allocated to specific services	602
<b>(14,000)</b>	<b>Net Expenditure or Income of HRA Services</b>	<b>(10,519)</b>
	<b>HRA share of the operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement:</b>	
(4,139)	(Gain)/Loss on disposal for HRA non-current assets	(1,850)
5,870	Interest payable and similar charges	5,795
(240)	Interest and Investment income	(218)
(117)	Investment Properties	(93)
340	Pension Interest Cost & Expected Return on Pension Assets	361
(101)	Government Grant towards revenue expenditure	0
(300)	Capital Grants and Contributions	(84)
<b>(12,687)</b>	<b>(Surplus)/Deficit for the year on HRA Services</b>	<b>(6,608)</b>

Notes to the Housing Revenue Account are contained in pages 89-100.

\* The Exceptional Item in 2016/2017 reflects the final reversal of a historical downward value in the dwelling stock.

## Movement on the Housing Revenue Account Statement

2016/2017 £'000	2017/2018 £'000	£'000
(2,599) Balance on the HRA as at the end of the previous reporting period		(2,028)
(12,687) (Surplus)/Deficit on the HRA Income and Expenditure Statement	(6,608)	
8,825 Adjustments between accounting basis and funding basis under statute (note 5)	3,758	
(3,862) Net (increase) or decrease before transfers to or from reserves	(2,850)	
4,433 Transfers to or (from) reserves (note 5)	(378)	
571 (Increase) or decrease in year on the HRA		(3,228)
<b>(2,028) Balance on the HRA at the end of the current reporting period</b>		<b>(5,256)</b>

## Notes to the Housing Revenue Account

### 1. Housing Revenue Account - Asset Analysis

<b>2017/2018 Movements in number of Assets</b>	<b>As at 1 April 2017</b>	<b>Reclass- ifications</b>	<b>Additions</b>	<b>Disposals/ Demolitions</b>	<b>As at 31 March 2018</b>
<b>Property, Plant and Equipment</b>					
Council Dwellings	4,837		4	(19)	<b>4,822</b>
Other Land and Buildings *	753			(18)	<b>735</b>
Surplus Assets	1	(1)			<b>0</b>
<b>Total Property, Plant and Equipment</b>	<b>5,591</b>	<b>(1)</b>	<b>4</b>	<b>(37)</b>	<b>5,557</b>
Investment Properties	6				<b>6</b>
Assets Held for Sale	2	1		(2)	<b>1</b>
<b>Total HRA Assets</b>	<b>5,599</b>	<b>0</b>	<b>4</b>	<b>(39)</b>	<b>5,564</b>

\* demolition of 18 garages

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

**Property, Plant and Equipment  
Movements in 2017/2018**

	<b>Council Dwellings £'000</b>	<b>Other Housing Land &amp; Buildings £'000</b>	<b>Vehicles, Plant and Equipment £'000</b>	<b>Assets Under Construction £'000</b>	<b>Total £'000</b>
<b>Cost or Valuation</b>					
At 1 April 2017	398,730	5,629	7	1,983	<b>406,349</b>
Adjustments between cost/value and depreciation/ impairment	(2,305)	(18)			<b>(2,323)</b>
Adjusted 1 April 2017 balance	396,425	5,611	7	1,983	<b>404,026</b>
Additions/enhancements	4,886	27		6,653	<b>11,566</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	11,197	1,495			<b>12,692</b>
Derecognition Disposals	(1,093)				<b>(1,093)</b>
At 31 March 2018	411,415	7,133	7	8,636	<b>427,191</b>
<b>Depreciation and Impairments</b>					
At 1 April 2017	(8,658)	(397)	(6)		<b>(9,061)</b>
Adjustments between cost/value and depreciation/ impairment	2,305	18			<b>2,323</b>
Adjusted 1 April 2017 balance	(6,353)	(379)	(6)	0	<b>(6,738)</b>
Charge for 2017/2018	(6,132)	(286)			<b>(6,418)</b>
Depreciation written out to the	6,353	60			<b>6,413</b>
Impairment (losses)/ reversals recognised in the Revaluation Reserve	0	(77)			<b>(77)</b>
Impairment (losses)/reversals recognised in the Net Cost of HRA Services	(1,426)	(213)	(1)		<b>(1,640)</b>
At 31 March 2018	(7,558)	(895)	(7)	0	<b>(8,460)</b>
<b>Balance Sheet amount at 31 March 2018</b>	<b>403,857</b>	<b>6,238</b>	<b>0</b>	<b>8,636</b>	<b>418,731</b>

**Property, Plant and Equipment  
Movements in 2016/2017**

	<b>Council Dwellings £'000</b>	<b>Other Housing Land &amp; Buildings £'000</b>	<b>Vehicles, Plant and Equipment £'000</b>	<b>Assets Under Construction £'000</b>	<b>Total £'000</b>
<b>Cost or Valuation</b>					
At 1 April 2016	383,637	4,611	7	4,731	<b>392,986</b>
Additions/enhancements	9,729			74	<b>9,803</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	231	1,043			<b>1,274</b>
Revaluation Increases/(decreases) recognised in the Net Cost of HRA Services	5,096				<b>5,096</b>
Derecognition Disposals	(2,614)				<b>(2,614)</b>
Reclassified	(171)				<b>(171)</b>
Other Reclassifications	2,822	(25)		(2,822)	<b>(25)</b>
At 31 March 2017	398,730	5,629	7	1,983	<b>406,349</b>
<b>Depreciation and Impairments</b>					
At 1 April 2016	(5,972)	(194)	(5)		<b>(6,171)</b>
Charge for 2016/2017	(6,353)	(245)	(1)		<b>(6,599)</b>
Depreciation written out to the Revaluation Reserve	5,972	59			<b>6,031</b>
Impairment (losses)/reversals recognised in the Revaluation Reserve		(18)			<b>(18)</b>
Impairment (losses)/reversals recognised in the Net Cost of HRA Services	(2,305)				<b>(2,305)</b>
Reclassifications		1			<b>1</b>
At 31 March 2017	(8,658)	(397)	(6)	0	<b>(9,061)</b>
<b>Balance Sheet amount at 31 March 2017</b>	<b>390,072</b>	<b>5,232</b>	<b>1</b>	<b>1,983</b>	<b>397,288</b>

**General Notes**

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

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

Asset disposals have been written out at their book value. In 2017/2018, 14 properties were sold through the right-to-buy scheme, five properties were staircased to 100%, and one property was sold on the open market, resulting in an overall gain on disposal of £1.8million.

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

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

1 April 2017 £'000		1 April 2018 £'000
1,180,011	General Stock (including Fully Sheltered Dwellings) and Shared Ownership	1,249,760
<b>1,180,011</b>		<b>1,249,760</b>

### 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

2016/2017 £'000		2017/2018 £'000
	<b>Capital Investment</b>	
9,729	Council Dwellings	4,886
0	Other Housing Land & Buildings	27
74	Assets Under Construction	6,653
<b>9,803</b>		<b>11,566</b>
	<b>Sources of finance</b>	
(1,700)	Revenue Contribution	(3,880)
(52)	Other Grant	(385)
(700)	Capital Receipts	(3,435)
(7,351)	Major Repairs Reserve	(3,866)
<b>(9,803)</b>		<b>(11,566)</b>

## 4. Capital Receipts received in year

2016/2017 £'000		2017/2018 £'000
4,550	Right-to-Buy	1,967
2,188	Other Buildings	1,503
15	Land	3
<b>6,753</b>		<b>3,473</b>



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

2016/2017 £'000		2017/2018 £'000
	<b>1. Adjustments between accounting basis and funding basis under regulations</b>	
	<b>Transfers to/from the Capital Adjustment Account (CAA)</b>	
(255)	Depreciation on other HRA Assets	(297)
(6,353)	Depreciation on Council Dwellings	(6,132)
5,096	Reversal of upward revaluation reversing previous loss	0
(2,305)	Reversal of impairment loss	(1,640)
63	Reversal of movements in the fair value of Investment Properties	37
	Net of Gain/(Loss) on disposal of HRA non-current assets	
(2,614)	Amount of non-current assets written off on disposal to CAA	(1,623)
6,753	Sale proceeds (credited to the Capital Receipts Reserve)	3,473
4,139		1,850
6,427	Transfer depreciation to the Major Repairs Reserve	6,429
1,700	Capital charged against the HRA balance	3,880
0	Capital Grants and Contributions applied to capital expenditure	84
300	Capital Grants and Contributions unapplied	0
(966)	Net charges made for retirement benefits in accordance with IAS19	(1,521)
979	Actual amount charged against the HRA Balance for pensions in the year	1,068
<b>8,825</b>		<b>3,758</b>
	<b>2. Transfers to/(from) Earmarked Reserves</b>	
4,896	Net transfer to/(from) New Affordable Homes Reserve	(913)
(727)	Net transfer to/(from) Stock Improvement Reserve	(467)
14	Net Contribution to/(from) Uninsured Loss Reserve	(4)
116	Transfer to/(from) Revenue Grants Earmarked Reserve	6
134	Transfer to/(from) Earmarked Reserve	1,000
<b>4,433</b>		<b>(378)</b>

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

2016/2017 £'000		2017/2018 £'000
(2,722)	<b>Balance Brought Forward as at 1 April</b>	(1,798)
(6,427)	Depreciation transfer into the MRR	(6,429)
7,351	Capital Expenditure: Dwellings	3,866
0	Payment of Principal	3,487
924	Movement in Year	<b>924</b>
<b>(1,798)</b>	<b>Balance Carried Forward as at 31 March</b>	<b>(874)</b>

### An Explanation of the Major Repairs Reserve

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

## 7. Rent Arrears

As at 31 March 2017			As at 31 March 2018		
Arrears £'000	% of annual debit		Gross Annual Debit £'000	Arrears £'000	% of annual debit
470	1.48%	Housing Stock	30,738	356	1.16%
3	1.67%	Shared Ownership	168	4	2.38%
473	1.48%		30,906	360	1.16%
<b>473</b>	<b>1.48%</b>	<b>Total Arrears</b>	<b>30,906</b>	<b>360</b>	<b>1.16%</b>

As at 31 March 2018, the balance of HRA provision for irrecoverable rent arrears was £130,000 (31 March 2017 £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.

2016/2017 £'000		Business Rates £'000	2017/2018 Council Tax £'000	Total £'000
<b>Income</b>				
(92,408)	Council Tax Receivable		(97,048)	(97,048)
(36,735)	Business Rates Receivable	(36,803)		(36,803)
65	Transitional Protection Payments Receivable	(1,847)		(1,847)
<b>(129,078)</b>	<b>Total Income</b>	<b>(38,650)</b>	<b>(97,048)</b>	<b>(135,698)</b>
<b>Expenditure</b>				
<b>Apportionment of 2016/2017 Estimated Surplus/(Deficit) distributed to the major preceptors in 2017/2018:</b>				
(989)	Central Government (Business Rates)	(1,180)	0	(1,180)
(616)	Waverley Borough Council	(944)	64	(880)
817	Surrey County Council	(236)	372	136
180	Surrey Police & Crime Commissioner	0	64	64
<b>(608)</b>		<b>(2,360)</b>	<b>500</b>	<b>(1,860)</b>
<b>Precepts, Demands and Shares:</b>				
18,808	Central Government (Business Rates)	18,948	0	18,948
26,764	Waverley Borough Council (incl. parishes)	15,158 *	12,199	27,357
71,800	Surrey County Council	3,790	71,819	75,609
11,812	Surrey Police & Crime Commissioner	0	12,112	12,112
<b>129,184</b>		<b>37,896</b>	<b>96,130</b>	<b>134,026</b>
<b>Charges to Collection Fund:</b>				
457	Increase in allowance for Bad Debts	337	263	600
(100)	Increase(decrease) in Provision for Appeals	3,424	0	3,424
179	Cost of Collection (Business Rates)	177	0	177
<b>536</b>		<b>3,938</b>	<b>263</b>	<b>4,201</b>
<b>34</b>	<b>(Surplus)/Deficit arising during the year</b>	<b>824</b>	<b>(155)</b>	<b>669</b>
1,617	<b>(Surplus)/Deficit brought forward 1 April 2017</b>	2,194	(543)	1,651
<b>1,651</b>	<b>(Surplus)/Deficit carried forward 31 March 2018</b>	<b>3,018</b>	<b>(698)</b>	<b>2,320</b>

\* From this £15,158,000 transfer to Waverley Borough Council, a tariff of £13,450,000 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	2016/2017		Ratio to Band D	Chargeable Dwellings	2017/2018	
	Band D equivalents	Average Council Tax £			Band D equivalents	Average Council Tax £
-	-	-	A (Disabled Relief)	-	-	-
627.24	414.0	1,137.92	A	643.65	424.8	1,188.20
2,021.67	1,556.7	1,327.57	B	2,037.09	1,568.6	1,386.23
6,854.82	6,032.3	1,517.23	C	6,938.55	6,105.9	1,584.27
10,273.76	10,171.0	1,706.88	D	10,297.10	10,194.1	1,782.30
8,331.62	10,081.3	2,086.19	E	8,338.99	10,090.2	2,178.37
6,261.14	8,953.4	2,465.49	F	6,288.44	8,992.5	2,574.43
7,684.32	12,679.2	2,844.80	G	7,729.86	12,754.2	2,970.50
1,897.98	3,758.0	3,413.76	H	1,922.10	3,805.8	3,564.60
<b>43,952.55</b>	<b>53,645.9</b>			<b>44,195.78</b>	<b>53,936.1</b>	

Individual charges are calculated by estimating the amount of income required to be paid from the Collection Fund in the year to the Surrey Police & Crime Commissioner, Surrey County Council, Waverley Borough and Parish Councils (£96,130,065), dividing this by the total Band D equivalents shown above (53,936.1) and rounding for administrative purposes. The resultant average charge at Band D of £1,782.30 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, £13,450,000 in 2017/2018, with the result that Waverley receives only £2million of Business Rates funding out of the £35million.

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 2017/2018 the standard national rate multiplier was 47.9p (2016/2017 49.7p) and the small business multiplier was 46.6p (2016/2017 48.4p).

The total rateable value of business premises in Waverley as at 31 March 2018 was £108,879,108 (compared with £94,785,531 on 31 March 2017).

### 3. Write-offs of Bad Debts

In 2017/2018, £263,030 of Council Tax arrears were written off to the Impairment Allowance for Bad Debts compared with £184,164 in 2016/2017. For Business Rates, £346,833 of arrears were written off to the Impairment Allowance for Bad debts compared to £235,786 in 2016/2017.

## 4. Allocation of Year-End Balances:

### Council Tax

The opening balance for the Council Tax element of the Collection Fund for 2017/2018 was a surplus of £542,956. Based on the estimated position in January 2017, a £500,000 surplus was distributed to the major preceptors in 2017/2018.

By the end of the 2017/2018 financial year, there was a £697,603 surplus on the Council Tax element of the Collection Fund. £630,000 will be distributed to the major preceptors during 2018/2019 in proportion to their demand on the fund in 2017/2018. The underpayment of £67,603 will be adjusted with major preceptors in 2019/2020 in proportion to the 2018/2019 demands on the Collection Fund.

	<b>Waverley Borough Council</b>	<b>Surrey County Council</b>	<b>Surrey Police &amp; Crime Commissioner</b>	<b>Total</b>
	£	£	£	£
Share of estimated £630,000 surplus	(79,948)	(470,672)	(79,380)	(630,000)
Share of £67,603 underpaid	(8,431)	(50,677)	(8,495)	(67,603)
<b>Net share of outturn</b>	<b>(88,379)</b>	<b>(521,349)</b>	<b>(87,875)</b>	<b>(697,603)</b>

### Business Rates

The opening balance for the Business Rates element of the Collection Fund for 2017/2018 was a deficit of £2,193,877.

In January 2018 the estimate of the final accumulated Business Rates position for 2017/2018 was a deficit of £1,913,830 and the Council advised precepting authorities accordingly for statutory 2018/2019 budget-setting purposes. At the end of the 2017/2018 financial year there was, however, a deficit of £3,017,520 on the Business Rates element of the Collection Fund.

The Council will adjust for the estimated deficit of £1,913,830 during the 2018/2019 year based on the applicable proportions and the understated deficit amount of £1,103,690 will be adjusted against the 2019/2020 proportionate shares of non-domestic rate income.

	<b>Waverley Borough Council</b>	<b>Surrey County Council</b>	<b>Central Government</b>	<b>Total</b>
	£	£	£	£
Share of £1,913,830 estimated deficit	765,532	191,383	956,915	1,913,830
Share of £1,103,690 understated deficit	441,476	110,369	551,845	1,103,690
<b>Net share of outturn</b>	<b>1,207,008</b>	<b>301,752</b>	<b>1,508,760</b>	<b>3,017,520</b>

### Provision for backdated Business Rates appeal costs

The Council has a Collection Fund provision for the losses on backdated Business Rates appeal costs at 31 March 2018 (relating to the 2010 and the new 2017 Rating List) as follows:

	<b>Waverley Borough Council</b>	<b>Surrey County Council</b>	<b>Central Government</b>	<b>Total</b>
	£	£	£	£
Share of £5,474,000 provision for backdated Business Rates appeal costs:	2,189,600	547,400	2,737,000	5,474,000

## 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.

2016/2017		Unrestricted Funds £'000	2017/2018 Endowment Funds £'000	Total Funds £'000
	<b>Incoming Resources</b>			
	Incoming Resources from generated funds			
(1)	Investment Income (Interest on cash balance)	(1)		(1)
	Incoming resources from charitable activities			
(129)	Management Fee	(133)		(133)
	Other incoming resources			
0	Assets given for use by the charity		(26)	(26)
<b>(130)</b>	<b>Total Incoming Resources</b>	<b>(134)</b>	<b>(26)</b>	<b>(160)</b>
	<b>Resources Expended</b>			
	Charitable activities			
5	Fees	0		0
4	Audit Fee	2		2
80	Management fee to Waverley Borough Council	90		90
37	Support costs	32		32
241	Depreciation and Impairment		243	243
<b>367</b>	<b>Total Resources Expended</b>	<b>124</b>	<b>243</b>	<b>367</b>
<b>237</b>	<b>Net (incoming)/outgoing resources</b>	<b>(10)</b>	<b>217</b>	<b>207</b>
	<b>Reconciliation of Funds</b>			
(9,450)	Funds brought forward as at 1 April 2017	(161)	(9,052)	(9,213)
237	Net Movement in Funds	(10)	217	207
<b>(9,213)</b>	<b>Funds carried forward as at 31 March 2018</b>	<b>(171)</b>	<b>(8,835)</b>	<b>(9,006)</b>

## Balance Sheet as at 31 March 2018

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 2017

		31 March 2018		
		Unrestricted Funds £'000	Endowment Funds £'000	Total £'000
<b>Fixed Assets</b>				
8,852	Land and Buildings		8,695	8,695
200	Plant and Equipment		140	140
<u>9,052</u>	<b>Total Fixed Assets</b>	<u>0</u>	<u>8,835</u>	<u>8,835</u>
<b>Current Assets</b>				
11	Debtors	11		11
152	Deposits with Waverley Borough Council	164		164
<u>163</u>		<u>175</u>	<u>0</u>	<u>175</u>
9,215	<b>Total Assets</b>	175	8,835	9,010
<b>Less: Current Liabilities</b>				
(2)	Creditors	(4)		(4)
<u>9,213</u>	<b>Total Assets less Current Liabilities</b>	<u>171</u>	<u>8,835</u>	<u>9,006</u>
<b>The Funds of the Charity:</b>				
(161)	Unrestricted Funds	(171)		(171)
(9,052)	Endowment Funds		(8,835)	(8,835)
<u>(9,213)</u>	<b>Total Charity Funds</b>	<u>(171)</u>	<u>(8,835)</u>	<u>(9,006)</u>



Statement of Financial Activities

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

2016/2017		Unrestricted Funds £'000	2017/2018 Endowment Funds £'000	Total Funds £'000
£'000				
	<b>Incoming Resources</b>			
	Incoming Resources from generated funds			
(9)	Investment Income (Interest on cash balance)	(8)		(8)
(98)	Rental Income	(100)		(100)
(53)	Benefits Subsidy	(47)		(47)
<b>(160)</b>	<b>Total Incoming Resources</b>	<b>(155)</b>	<b>0</b>	<b>(155)</b>
	<b>Resources Expended</b>			
	Charitable activities			
32	Premises and fees	69		69
4	Audit Fee	2		2
62	Benefits paid	56		56
7	Support Costs	5		5
36	Depreciation and Revaluations		37	37
<b>141</b>	<b>Total Resources Expended</b>	<b>132</b>	<b>37</b>	<b>169</b>
<b>(19)</b>	<b>Net (incoming)/outgoing resources</b>	<b>(23)</b>	<b>37</b>	<b>14</b>
	<b>Other Recognised Gains</b>			
0	Gains on the revaluation of fixed assets		(140)	(140)
<b>(19)</b>	<b>Net Movement in Funds</b>	<b>(23)</b>	<b>(103)</b>	<b>(126)</b>
	<b>Reconciliation of Funds</b>			
(2,721)	Funds brought forward as at 1 April 2017	(1,238)	(1,502)	(2,740)
(19)	Net Movement in Funds	(23)	(103)	(126)
<b>(2,740)</b>	<b>Funds carried forward as at 31 March 2018</b>	<b>(1,261)</b>	<b>(1,605)</b>	<b>(2,866)</b>

## Balance Sheet as at 31 March 2018

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 2017	31 March 2018		
£'000	Unrestricted Funds £'000	Endowment Funds £'000	Total £'000
	<b>Fixed Assets</b>		
1,502		1,605	1,605
	<b>Current Assets</b>		
1,254	1,265		1,265
	<b>Less: Current Liabilities</b>		
(16)	(4)		(4)
<b>1,238</b>	<b>1,261</b>	<b>0</b>	<b>1,261</b>
<b>2,740</b>	<b>1,261</b>	<b>1,605</b>	<b>2,866</b>
	<b>The Funds of the Charity:</b>		
(1,238)	(1,261)		(1,261)
(1,502)		(1,605)	(1,605)
<b>(2,740)</b>	<b>(1,261)</b>	<b>(1,605)</b>	<b>(2,866)</b>

## Glossary of Terms and Abbreviations

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

**AIS** Annual Investment Strategy

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

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

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

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

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

**Capital Adjustment Account (CAA)**  
An unusable reserve that absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

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

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

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

**CIPFA** The Chartered Institute of Public Finance and Accountancy

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

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

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

**CPI** Consumer Prices Index

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

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

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

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

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

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

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

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

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

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

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

**Fair Value** The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

**FRICS** Fellow of the Royal Institute of Chartered Surveyors

**FRS** Financial Reporting Standard

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

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

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

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

**HMRC** Her Majesty's Revenue and Customs

**Housing Revenue Account (HRA)**

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

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

**IAS** International Accounting Standard

**IFRIC** International Financial Reporting Interpretations Committee

**IFRS** International Financial Reporting Standards

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

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

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

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

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

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

**Local Enterprise Partnership (LEP)**

Voluntary partnership between Local Authorities and businesses to help determine local economic priorities and lead economic growth and job creation.

**Major Repairs Allowance (MRA)**

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

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

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

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

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

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

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

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

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

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

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

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

**Outturn** Total actual income and expenditure in the financial year.

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

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

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

**Property, Plant and Equipment (PPE)**

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

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

**PWLB** Public Works 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