

Statement of Accounts 2018/2019

Restatement of Statement of Accounts for Pension Fund

Following a land mark Court of Appeal judgement regarding age discrimination in Pension funds (the McCloud judgement) Waverley has restated the Statement of Accounts to reflect the impact of this judgement on Waverley's Pension Fund.

The restatement affects the following pages only where the change has been highlighted in yellow.

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.

2017/2018			2018/2019			
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
Continuing Operations						
General Fund						
4,800	(1,092)	3,708	Policy and Governance	4,141	(440)	3,701
5,503	(1,963)	3,540	Planning	5,105	(2,126)	2,979
2,585	(354)	2,231	Customer and Corporate ¹	941	(274)	667
32,070	(30,374)	1,696	Finance	31,453	(29,501)	1,952
15,621	(6,028)	9,593	Community	14,307	(6,128)	8,179
8,611	(7,026)	1,585	Environment ²	10,147	(7,637)	2,510
1,948	(920)	1,028	General Fund Housing	2,347	(1,434)	913
18,244	(29,931)	(11,687)	Housing Revenue Account (p82) ³	26,799	(29,973)	(3,174)
409	(179)	230	Subsidiaries (Trusts)	312	(203)	109
89,791	(77,867)	11,924	Net Cost of Services	95,552	(77,716)	17,836
Other Operating Expenditure						
		2,927	Precepts of Parish/Town Councils			3,129
		759	Contribution of Housing Capital Receipts to Government Pool			759
		(2,514)	(Gain)/Loss on disposal of non-current assets			(2,572)
Financing and Investment Income and Expenditure						
		5,629	Interest payable and similar charges			5,583
		1,455	Pension Interest Cost & Expected Return on Pension Assets (note 38)			1,539
		(449)	Interest and Investment Income			(668)
		(1,775)	Investment Properties (note 17)			(1,513)
		0	Impairment Losses (Financial Assets) ⁴			615
Taxation and Non-Specific Grant Income & Expenditure						
		(12,282)	Council Tax income			(12,810)
		(1,788)	Business Rates income and expenditure ⁵			(3,866)
		(2,121)	Non-ringfenced Government grants (note 10)			(1,322)
		(1,323)	Capital grants and contributions			(1,704)
		442	(Surplus)/Deficit on Provision of Services			5,006
		(19,251)	(Surplus)/Deficit on revaluation of non-current assets (p64)			(22,575)
		(1,989)	Remeasurement on Pension Fund Assets & Liabilities (page 75)			5,713
		(21,240)	Other Comprehensive Income and Expenditure			(16,862)
		(20,798)	Total Comprehensive Income and Expenditure			(11,856)

Group Movement in Reserves Statement 2018/2019

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	£'000	See note 27 £'000	£'000	£'000	£'000
Balance at 31 March 2018	(11,427)	(26,428)	(23,341)	(2,033)	(63,229)	(267,881)	(331,110)	(11,872)	(342,982)
Movement in reserves during 2018/2019									
Total Comprehensive Income and Expenditure	3,255	1,656	0	0	4,911	(16,841)	(11,930)	74	(11,856)
Adjustments between accounting basis and funding basis under regulations (note 8)	(5,265)	(5,756)	(1,927)	(915)	(13,863)	13,863	0	0	0
(Increase)/Decrease in 2018/2019	(2,010)	(4,100)	(1,927)	(915)	(8,952)	(2,978)	(11,930)	74	(11,856)
Balance at 31 March 2019 (carried forward)	(13,437)	(30,528)	(25,268)	(2,948)	(72,181)	(270,859)	(343,040)	(11,798)	(354,838)

Group Balance Sheet as at 31 March 2019

The Balance Sheet shows the value as at the 31 March of the assets and liabilities of the Council. The net assets (assets less liabilities) of the Council are matched by the reserves held by the Council. Reserves are reported in two categories. The first category is usable reserves, ie those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and to any statutory limitations on their use. The second category is those that the Council is not able to use to provide services. This category of reserves is called unusable reserves (see note 27).

31 March 2018		31 March 2019		
Group £'000	Note	Single Entity £'000	Subsidiaries £'000	Group £'000
Property, Plant and Equipment				
403,857	11	418,159		418,159
85,634		79,459	10,191	89,650
3,239		2,840	103	2,943
567		573		573
364		218		218
0		0		0
10,923		365		365
504,584		501,614	10,294	511,908
26,116	17	26,502		26,502
1,274	18	1,275		1,275
344		312		312
4,051	19	9,116		9,116
27		0		0
536,396		538,819	10,294	549,113
Total Long-Term Assets				
Current Assets				
46,086	19	47,017		47,017
220		274		274
8		9		9
8,540	23	8,962	19	8,981
7,456	24	9,924	1,495	11,419
62,310		66,186	1,514	67,700
598,706		605,005	11,808	616,813
Total Current Assets				
Total Assets				
Current Liabilities				
(3,781)	19	(4,296)		(4,296)
(9,990)	25	(11,384)	(10)	(11,394)
(2,190)		(1,177)		(1,177)
(15,961)		(16,857)	(10)	(16,867)
Total Current Liabilities				
Long-Term Liabilities				
(179,840)	19	(175,617)		(175,617)
(58,901)	38	(67,987)		(67,987)
(1,022)		(1,504)		(1,504)
(239,763)		(245,108)	0	(245,108)
Total Long-Term Liabilities				
342,982		343,040	11,798	354,838
Net Assets				
Financed by:				
(64,661)		(72,181)	(1,504)	(73,685)
(278,321)	27	(270,859)	(10,294)	(281,153)
(342,982)		(343,040)	(11,798)	(354,838)
Total Reserves				

Group Cash-Flow Statement

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

2017/2018

£'000		Note	Single Entity £'000	2018/2019 Group Activities £'000	Group Total £'000
442	Net (Surplus)/Deficit on the Provision of Services *		4,911	95	5,006
(21,931)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	28	(24,621)	(223)	(24,844)
9,552	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	28	6,550		6,550
(11,937)	Net Cash-flows from Operating Activities	31	(13,160)	(128)	(13,288)
12,487	Investing Activities	29	6,973	62	7,035
1,341	Financing Activities	30	2,290		2,290
1,891	Net (increase)/decrease in Cash and Cash Equivalents		(3,897)	(66)	(3,963)
9,347	Cash and Cash Equivalents at the beginning of the reporting period		6,027	1,429	7,456
7,456	Cash and Cash Equivalents at the end of the reporting period	24	9,924	1,495	11,419
(1,891)	Movement in Cash increase/(decrease)		3,897	66	3,963

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

For notes on the Group Cash-Flow Statement see notes 28-31.

6. Expenditure and Funding Analysis

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

2017/2018			2018/2019		
Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£'000	£'000	£'000	£'000	£'000	£'000
General Fund					
3,235	(473)	3,708	3,247	(454)	3,701
2,925	(615)	3,540	2,342	(637)	2,979
737	(1,494)	2,231	700	33	667
2,403	707	1,696	2,076	124	1,952
3,670	(5,923)	9,593	3,553	(4,626)	8,179
1,276	(309)	1,585	1,275	(1,235)	2,510
895	(133)	1,028	776	(137)	913
(15,944)	(4,257)	(11,687)	(14,879)	(11,705)	(3,174)
(803)	(12,497)	11,694	(910)	(18,637)	17,727
2,180	13,653	(11,473)	(5,200)	7,616	(12,816)
1,377	1,156	221	(6,110)	(11,021)	4,911
Opening Balances as at 1 April 2018					
(14,730)			(11,427)		
(24,502)			(26,428)		
(39,232)			(37,855)		
Surplus or Deficit in year					
See MiRS (p14) Net (Increase)/ Decrease before Transfers to Earmarked Reserves:					
3,303			(2,010)		
(1,926)			(4,100)		
1,377			(6,110)		
Closing Balances as at 31 March 2019					
(11,427)			(13,437)		
(26,428)			(30,528)		
(37,855)			(43,965)		

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

6A. Note to the Expenditure and Funding Analysis

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

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

6B. Segmental Income (Single Entity)

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

2017/2018 £'000		2018/2019 £'000
	Income from Services	
(5,093)	Environment	(5,396)
(28,579)	Housing Revenue Account	(28,441)
(33,672)	Total	(33,837)

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

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

2017/2018 £'000		2018/2019 £'000
	Expenditure/Income	
	Expenditure	
21,155	Employee costs	22,377
55,329	Other service expenses	55,131
(538)	Support Service recharges *	(750)
15,806	Depreciation, amortisation & impairment	21,136
5,638	Interest payments	5,597
2,927	Precepts and levies	3,129
759	Payment to Housing Capital Receipts Pool	759
0	Impairment Losses (Financial Assets)	615
101,076	Total Expenditure	107,994
	Income	
(49,286)	Fees, charges and other service income	(50,356)
(1,720)	Interest and Investment Income	(2,172)
(12,282)	Council Tax income	(12,810)
(31,402)	Government Grants and Contributions	(29,217)
(1,788)	Business Rates distribution	(3,866)
(1,323)	Capital grants and contributions	(1,704)
(2,514)	(Gain)/Loss on disposal of non-current assets	(2,572)
(540)	Gain on fair value of Investment Properties	(386)
(100,855)	Total Income	(103,083)
221	(Surplus) or Deficit on the Provision of Services	4,911

* 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.

Adjustments between accounting basis and funding basis under regulations						
2018/2019	Usable Reserves					Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
Adjustments to the Revenue Resources						
Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:						
Pensions costs (transferred to or from the Pensions Reserve) (see note 38)	(2,926)	(447)				(3,373)
Council Tax and NNDR (transfers to or from Collection Fund Adjustment Account)	1,260					1,260
Reversal of entries included in the (Surplus) or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):						
Reversal of entries included in the (Surplus) or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):	(4,828)	(10,201)	(6,538)			(21,567)
Total Adjustments to Revenue Resources	(6,494)	(10,648)	(6,538)	0	0	(23,680)
Adjustments between Revenue and Capital Resources						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	847	3,331		(4,178)		0
Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital Receipts Pool	(759)			759		0
Statutory provision for the repayment of debt	100		3,708			3,808
Capital expenditure charged against the General Fund and HRA balances	180	390				570
Other movements				(29)		(29)
Total Adjustments between Revenue and Capital Resources	368	3,721	3,708	(3,448)	0	4,349
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance new capital expenditure				1,521		1,521
Use of the Major Repairs Reserve to finance new capital expenditure			3,947			3,947
Capital grants and contributions unapplied credited to the CIES	861	54			(915)	0
Total Adjustments to Capital Resources	861	54	3,947	1,521	(915)	5,468
Total Adjustments	(5,265)	(6,873)	1,117	(1,927)	(915)	(13,863)

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 38 for further detail

2017/2018		2018/2019
£'000		£'000
58,205	Balance at 1 April	58,901
(1,989)	Remeasurements of the net defined benefit liability/(asset) *	5,713
6,204	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	6,931
(3,519)	Employer's pensions contributions and direct payments to pensioners payable in the year	(3,558)
<hr/> 696	Net Movement in year	<hr/> 9,086
<hr/> 58,901	Balance at 31 March	<hr/> 67,987

28. 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):

2017/2018 £'000		2018/2019 £'000
5,626	Interest paid	5,572
(487)	Interest received	(536)

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

2017/2018 £'000		2018/2019 £'000
(7,316)	Depreciation	(7,378)
(8,380)	Impairment and downward valuations	(13,656)
(113)	Amortisations	(87)
(3)	Impairment/Revaluation losses on Intangible assets	(15)
44	(Increase)/Decrease in Impairment Allowance	(407)
(125)	(Increase)/Decrease in Creditors	(1,616)
2,834	Increase/(Decrease) in Debtors	2,117
2	Increase/(Decrease) in Inventories	1
(2,685)	Pensions liability	(3,373)
(5,266)	Carrying amount of non-current assets sold	(1,606)
(1,370)	Provisions	1,013
540	Movements in the value of Investment Properties	386
151	Donated Assets	0
(21,687)	Total non-cash movements	(24,621)

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

2017/2018 £'000		2018/2019 £'000
449	Proceeds from Short-term Investments (cash interest on investments)	668
7,780	Proceeds from the sale of Property, Plant and Equipment	4,178
1,323	Grants received for financing of capital expenditure	1,704
9,552		6,550

38. Defined Benefit Pension Schemes

Participation in Pension Schemes

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

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

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

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

The Actuary has used the 'projected unit credit' method of valuation to project the valuation results of the latest formal valuation date forward to 31 March 2019 using approximation methods. The roll-forward allows for changes in financial assumptions, additional benefit accrual and estimated cash flows over the period.

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

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

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

Transactions Relating to Retirement Benefits

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

2017/2018
£'000

2018/2019
£'000

Comprehensive Income and Expenditure Statement

Cost of Services:		
4,673	Current Service Cost	4,740
76	Past Service Cost	652
Financing and Investment Income and Expenditure:		
1,455	Net interest expense	1,539
6,204	Total Post-employment Benefits charged to the (Surplus) or Deficit on the Provision of Services	6,931
Other Post-employment Benefits charged to Comprehensive Income and Expenditure Statement		
Remeasurement of the net defined benefit liability comprising:		
847	Return on assets (excluding the amount included in net interest expense)	(3,675)
0	Actuarial losses/(gains) arising on changes in demographic assumptions	0
(2,874)	Actuarial losses/(gains) arising on changes in financial assumptions	9,314
38	Other experience losses/(gains)	74
(1,989)	Total remeasurement of the net defined benefit liability loss / (gain)	5,713
4,215	Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	12,644

Movement in Reserves Statement

General Fund Balance

(4,683)	Reversal of net charges made to the (Surplus) or Deficit for the Provision of Services for post-employment benefits in accordance with the code	(5,420)
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Actual amount charged against the General Fund Balance:

2,451	Employers' contributions payable to scheme	2,494
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Housing Revenue Account Balance

(1,521)	Reversal of net charges made to the (Surplus) or Deficit for the Provision of Services for post-employment benefits in accordance with the code	(1,511)
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Actual amount charged against the HRA Balance for pensions in the year:

1,068	Employers' contributions payable to scheme	1,064
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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 2018		31 March 2019	
£'000		£'000	
(168,422)	Estimated liabilities in scheme	(183,051)	
109,520	Estimated assets in scheme *	115,064	
(58,902)	Net asset/(liability) *	(67,987)	

The liabilities show the underlying commitments that the Council has to pay retirement benefits. The net liability of £68.0 million 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 2019 differs from the Actuary's estimate by £573,000 to reflect the actual cumulative payments made to the Fund. The net liability shown here is therefore £573,000 higher than the actuarial figure of £67.414 million.

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 2018		31 March 2019	
2.7%	Rate of increase in salaries	2.8%	
2.4%	Rate of increase in pensions	2.5%	
2.6%	Rate for discounting scheme liabilities	2.4%	
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 2018			31 March 2019		
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.

31 March 2018	Assets Total	Period ended 31 March 2019		Total
		Quoted prices in active markets £'000	Quoted prices not in active markets £'000	
£'000	£'000	£'000	£'000	£'000
		Equity investments		
8,930	Consumer	3,131		3,131
8,095	Manufacturing	2,009		2,009
4,438	Energy & Utilities	1,782		1,782
7,787	Financial Institutions	1,794		1,794
2,941	Health & Care	1,532		1,532
6,200	Information Technology	3,424		3,424
224	Other	305		305
		Debt Securities		
3,821	Corporate Bonds (investment gr:	0		0
241	Corporate Bonds (non-investmer	0		0
224	UK Government	0		0
506	Other	0		0
4,620	Private Equity	0	6,855	6,855
		Real Estate		
6,259	UK Property	2,088	3,397	5,485
41	Overseas Property	0	2,006	2,006
		Investment Funds & Unit Trusts		
30,524	Equities	55,430	7,955	63,385
12,032	Bonds	13,861	5,455	19,316
		Derivatives		
(3)	Interest Rate	0		0
156	Foreign Exchange	675		675
13,040	Cash & Equivalent	3,938		3,938
110,076		89,969	25,668	115,637

Actuary's Estimated Movements in Deficit during the Year

2017/2018 £'000		2018/2019 £'000
(57,658)	Opening Position as at 1 April	(58,346)
(4,673)	Current Service Cost	(4,740)
(76)	Past Service Cost	(652)
3,393	Employer Contributions	3,438
134	Contributions in respect of Unfunded Benefits	138
(1,455)	Net Return on Assets	(1,539)
	Actuarial Remeasurements:	
(847)	Actual Return less Expected Return on Pension Scheme Assets	3,675
2,874	Changes in Financial Assumptions	(9,314)
(38)	Other Experience	(74)
(58,346)	Deficit at end of Year	(67,414)

Reconciliation of Defined Benefit Obligation - Estimated by Actuary

2017/2018 £'000		2018/2019 £'000
166,760	Opening Position as at 1 April	168,422
4,673	Current Service Cost	4,740
76	Past Service Cost	652
4,170	Interest Cost	4,387
	Actuarial Losses:	
(2,874)	Changes in Financial Assumptions	9,314
38	Other Experience	74
758	Member Contributions	800
(5,045)	Estimated Benefits Paid	(5,200)
(134)	Estimated Unfunded Benefits Paid	(138)
168,422	Defined Benefit Obligation at end of Year	183,051

Reconciliation of Fair Value of Employer Assets - Estimated by Actuary

2017/2018 £'000		2018/2019 £'000
109,102	Fair Value of Employer Assets at beginning of Year	110,076
2,715	Interest Income on Plan Assets	2,848
(847)	Actual Return less Expected Return on Pension Scheme Assets	3,675
3,393	Employer contributions	3,438
134	Contributions in respect of Unfunded Benefits	138
758	Member Contributions	800
(5,045)	Estimated Benefits Paid	(5,200)
(134)	Estimated Unfunded Benefits Paid	(138)
110,076	Fair Value of Employer Assets at end of Year	115,637

Recognition in the Profit or Loss

31 March 2018 £'000		31 March 2019 £'000
4,673	Current Service Cost	4,740
4,170	Interest Cost	4,387
(2,715)	Expected Return on Employer Assets	(2,848)
76	Past Service Cost	652
6,204	Total	6,931

Summary of Scheme Position over past Five Years - Actuarial Figures

	31 March 2015 £'000	31 March 2016 £'000	31 March 2017 £'000	31 March 2018 £'000	31 March 2019 £'000
Fair Value of Assets	96,317	96,239	109,102	110,076	115,637
<u>Less Present Value of Liabilities</u>	<u>(147,683)</u>	<u>(141,696)</u>	<u>(166,760)</u>	<u>(168,422)</u>	<u>(183,051)</u>
Surplus/(Deficit) in Scheme	(51,366)	(45,457)	(57,658)	(58,346)	(67,414)

Projected Pension Expense for the Year to 31 March 2020

	31 March 2020	
	% of pay	£'000
Projected Current Service Cost	45.5%	5,257
Income Interest on Plan Assets	-23.9%	(2,760)
Interest cost on Scheme Obligations	38.1%	4,399
Total	59.7%	6,896

The Actuary estimates the Council's Employer's Contributions for the Year to 31 March 2020 will be £3,377,000.

Maturity Profile of Defined Benefit Obligation

	Liability Split		Weighted Average Duration (years)*
	£'000	%	
Active Members	70,025	38.6%	22.6
Deferred Members	39,845	22.0%	22.1
Pensioner Members	71,528	39.4%	10.8
Total	181,398	100.0%	16.0

* weighted average duration at most recent actuarial valuation

Sensitivity Analysis

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

Change in Assumptions at year ended 31 March 2019	Approximate % increase to Employer Liability	Amount £'000
0.5% decrease in Real Discount Rate	9%	16,890
0.5% increase in the Salary Increase Rate	1%	1,856
0.5% increase in the Pension Increase Rate	8%	14,798

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	183,051
0.5% decrease in Real Discount Rate	199,941
0.5% increase in Salary Increase Rate	184,907
0.5% increase in Pension Increase Rate	197,849

39. Provisions, Contingent Liabilities and Contingent Assets

As at 31 March 2019 the Council has no material provisions, contingent liabilities or contingent assets. It does however have a provision of £1,176,600 for losses on backdated Business Rates appeals relating to the 2010 and the 2017 Rating Lists. See also note 4 to the Collection Fund on page 92.