ANNEX A

DRAFT

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2017

SURREY HEATH BOROUGH COUNCIL

DRAFT

CONTENTS

1. NARRATIVE STATEMENT 5
2. ANNUAL GOVERNANCE STATEMENT 2016/17 18
3. INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SURREY HEATH BOROUGH COUNCIL 25
4. ACCOUNTING POLICIES 26
5. EXPENDITURE AND FUNDING ANALYSIS 32
6. COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT 33
7. MOVEMENT IN RESERVES STATEMENT 34
8. BALANCE SHEET 35
9. CASH FLOW STATEMENT 36
10. BASIS OF PREPARATION 37
11. ACCOUNTING POLICIES 37
12. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES 37
13. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY 37
14. EVENTS AFTER THE REPORTING PERIOD 38
15. EXPENDITURE AND FUNDING ANALYSIS 39
16. EXPENDITURE AND INCOME ANALYSIS BY NATURE 41
17. MEMBERS' ALLOWANCES 41
18. OFFICERS' REMMUNERATION 42
19. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS 44
20. FINANCING AND INVESTMENT INCOME AND EXPENDITURE 47
21. TAXATION AND NON SPECIFIC GRANT INCOME AND EXPENDITURE 47
22. GRANT INCOME 47
23. PROPERTY, PLANT AND EQUIPMENT 48
24. HERITAGE ASSETS 51
25. INTANGIBLE ASSETS 51
26. INVESTMENT PROPERTIES 52
27. CAPITAL EXPENDITURE AND CAPITAL FINANCING 53
28. TRANSFERS (TO) / FROM EARMARKED RESERVES 54
29. UNUSABLE RESERVES 55
30. LEASES 58
31. LONG TERM DEBTORS 59
32. SHORT TERM DEBTORS 60
33. CASH AND CASH EQUIVALENTS 60

CONTENTS

34. SHORT TERM CREDITORS & PROVISIONS 60
35. CASH FLOW STATEMENT – OPERATING ACTIVITIES 61
36. CASH FLOW STATEMENT – INVESTING ACTIVITIES 61
37. CASH FLOW STATEMENT – FINANCING ACTIVITIES 61
38. TRADING OPERATIONS 62
39. AGENCY SERVICES 62
40. EXTERNAL AUDIT COSTS 63
41. RELATED PARTIES 63
42. PRIOR PERIOD ADJUSTMENTS 64
43. DEFINED BENEFIT PENSION SCHEMES 64
44. CONTINGENT LIABILITIES 69
45. CONTINGENT ASSETS 70
46. FINANCIAL INSTRUMENTS 70
47. NATURE AND EXTENT OF RISKS OF FINANCIAL INSTRUMENTS 74
48. COLLECTION FUND 78
49. OTHER GROUP FINANCIAL STATEMENTS 81
50. GROUP COMPANY AND INVESTMENT FUND INFORMATION 81
51. GROUP CASH FLOW 85
52. GROUP FINANCIAL STATEMENTS – EXPLANATORY NOTES 85
53. GENERAL GLOSSARY 89
54. EARMARKED RESERVES GLOSSARY 91
55. PENSION GLOSSARY 93

INTRODUCTION

1. NARRATIVE STATEMENT

1.1 Surrey Heath as a place

Surrey Heath Borough Council is one of the eleven Local Authorities in the County of Surrey. It lies at the north western edge of Surrey and borders Hampshire to the west and Berkshire to the north. The Borough covers 36.5 square miles and is a mix of urban and rural environments. It combines a vibrant economy with an attractive environment and is one of the safest areas in the country.

The borough consists of a mix of both urban and rural areas. Much of the rural area is within the Green Belt and includes extensive areas of heath and woodland. There are five sites of Special Scientific Interest in the Borough four of which are part of the Thames Basin Heaths Special Protection Area of European importance as a habitat for certain endangered bird species. This issue significantly impacts upon development potential in the borough and has led to more intensive development in the urban areas.

The total population of Surrey Heath according to 2011 census is 86,144, which is a 7.3% increase since the last Census in 2001. Of these 16.72% are over 65 years of age, an increase of 31.8% since the last Census. Over 85 year olds have also increased significantly by 38.5% to 1,800 residents. This is going to be an increasingly important factor in the delivery of services.

With London and its international airports, Heathrow and Gatwick, only an hour away by car or train, and major towns and cities in the south within easy reach, Surrey Heath is an ideal location for business. Not surprisingly, Surrey Heath is a sought after area for residential and commercial development but development has been difficult due to issues arounds the supply of land. Surrey Heath is rated as one of the most prosperous areas in the country with one of the best qualities of life and amongst the highest per capital incomes. These statistics mask however that the borough does have some relatively deprived wards which are amongst the most deprived in Surrey.

- Surrey Heath:
    - Collects £35m in business rates but only keeps 4% to spend on services
    - Has £149m invested in property to generate income to pay for services
    - Generates £13m in income from services it sells and from rents to support the Council's services
- Central Government revenue Support grant has fallen year on year. In 2016/17 it was £357,000 falling to zero in 2017/18. In 2019/20 the Council may have to pay £933,000 grant to the Government
- Demographic growth and an increasingly ageing population will continue to put pressure on Council services and the budget
- Brexit and the impact on the wider economy could lead to an impact on the Council's finances through changes to interest rates, inflation, wages and rental income

1.2 Finance Service – Kelvin Menon

2016/17 has brought more changes to the finance service. The benefits from the new Civica financial system have started to be realised with a significant number of staff now being comfortable in using the system to monitor their budgets. As a result of the issues that arose in respect of the 2014/15 financial statements the service has been through a comprehensive restructure with more capacity being built in and a new post of Chief Accountant created. This has resulted in a number of new staff joining the

service to give extra capacity. The extra capacity will be particularly important next year when, as a result of changes in legislation, the overall reporting deadline for the unaudited accounts to be published will be brought forward to 31st May and the audit completed date to 31st July.

The Council's investment in property during the year coupled with Surrey Heath becoming lead authority for joint waste has meant that the service has had to deal with new accounting challenges and has also had to take on some additional resource to deal with these. The finance service has worked closely with services to assist them with their budget monitoring and the automation of salary postings and service recharges should give more real time information to service managers.

2017/18 will see further improvements from the service. This will include:

- Preparing the statutory accounts more quickly to meet the 31st May deadline. This could involve a full close at the end of December and then a roll forward;
- Further property purchases and the commencement of the joint waste contract will bring more accounting challenges;
- Automatic posting of wages and recharges to bring real time information to managers;

1.3 Surrey Heath – Great Place, Great Community, Great Future

Surrey Heath Borough Council is a small Council with big ambitions. We really want to make a difference to the residents and communities we serve however we recognise that this is difficult within the financial constraints imposed upon us by Government. For that reason we have set ourselves the task of increasing income, rather than making cuts, to deliver the resources we need to kick start regeneration and to fund services our residents value.

During the year the Council reviewed its 5 year strategy and based it around 4 themes. These were Place, Prosperity, People and Performance. These themes recognise what is important to our communities and are explained in more detail below:

Place

We want to make Surrey Heath an even better place where people are happy to live.

Our priorities are:

- Deliver an improved Camberley Town Centre for the benefit of all residents of the Borough
- Protect, manage and maintain our parks and public open spaces including the provision of quality leisure facilities
- Encourage sustainable living and construction by promoting high quality building and design standards
- To reduce waste and increase the proportion of waste recycled and recovered
- Work with key partners to continue to keep the borough a very safe place to live

Prosperity

We will support and promote our local economy so that people can work and do business across Surrey Heath

Our Priorities are:

- Strengthen the Council's financial independence by increasing our own income
- Work with partners to support our urban and rural economy through strategic development planning and economic growth

- Support local businesses by encouraging economic development and improvements to local transport and other infrastructure
- Encourage inward investment by promoting Surrey Heath as a great place to live and work
- Deliver new development within the borough to strengthen the local economy

People

We will build and encourage communities where people can live happily and healthily

Our Priorities are:

- Work with partners to improve the health and wellbeing of our community
- Support older and more vulnerable people to live independently in their own homes and remain active in their local community
- Use our green space to deliver a programme of sport and leisure activities supporting community engagement with all people
- Address housing needs within the community

Performance

We will deliver effective and efficient services better and faster

Our Priorities are:

- Provide excellent customer service delivery
- Improve access to services through the use of technology
- Maximise every opportunity to improve the use of our land and buildings
- Regularly review our services and processes to ensure that they continue to offer value for money
- Maintain services by working collaboratively with partners in the public, private and voluntary sectors
- Demonstrate our performance through monitoring and reporting

1.4 Council Performance

Achievements 2016/17

Over the last year the Council has made substantial progress towards it key objectives. These are set out in detail in the Council's annual performance report which is presented to Executive in late June. Highlights are listed below:

- The Council purchased the Mall shopping centre and associated land holdings from Capital and Regional PLC. This will enable it to move forward with its regeneration proposals for London Road as the Council now controls most of the site. Bringing the assets in to Council ownership will also ensure that the Council can invest in its town for the benefit of its residents
- Level 5 in Main Square car park was refurbished to give wider bays. Contactless payments were also introduced
- The Council has selected Berkeley Homes as its partner to deliver housing in both Ashwood House and Pembroke House. This will also deliver improvements to the public realm
- The Council supported the renewal of the Camberley Business Improvement District which was successful. It has sponsored several events during the year to stimulate trade within the town
- The Council took on responsibility for the maintenance of verges and roundabouts from Surrey CC and as a result was able to schedule in additional cuts thereby improving standards at no extra cost

- Residents of the borough continue to be amongst the best recyclers in the country and the Council is keen to encourage even more recycling
- Through sound investment the Council has managed to deliver investment returns above budget
- The Council has increased the tax base by 427 during the year through new housing development
- The Council is working to deliver further housing by working with partners such as the MoD to bring forward more land for housing
- The Council hosted the 3rd Surrey Heath Business awards showcasing successful businesses within the borough
- The Council has provided start up advice to over 40 companies and has worked hard to retain businesses within the borough
- More people than ever are using our older peoples services through closer collaboration with hospitals and other partners
- 129 families were prevented from becoming homeless due to the interventions of the Council's housing team
- The Council opened a new visitor centre and café in Lightwater Country Park to encourage education in the countryside
- More than £650k in developer contributions have been earmarked for playground improvements across the borough

1.5 Financial Performance

Financial context of the Council

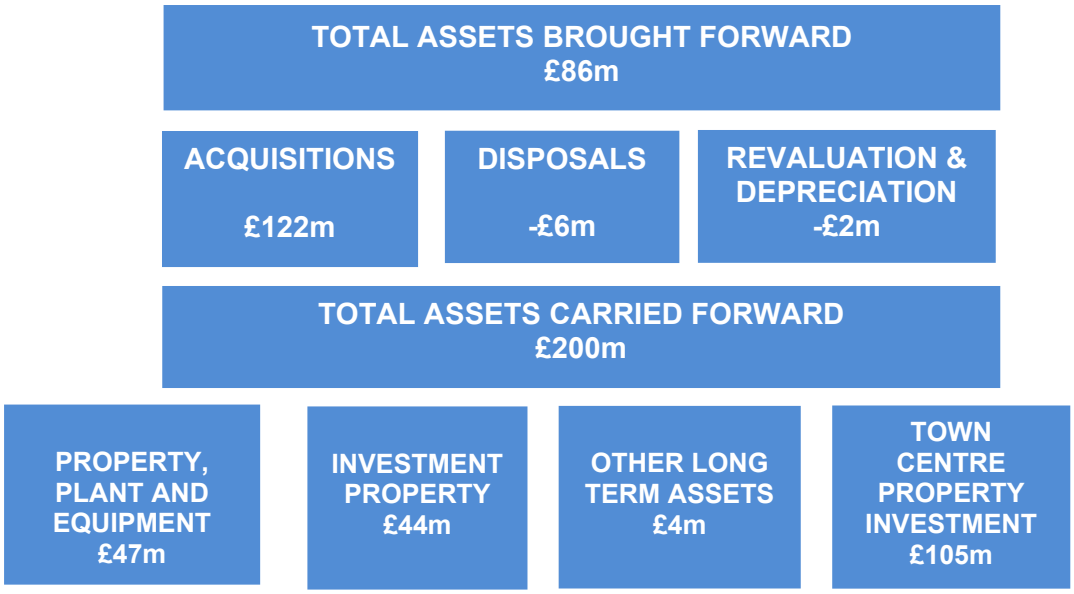
Surrey Heath Borough Council has a gross budget of £40m, which includes grants and income, and a net budget of £11m.

The Council:

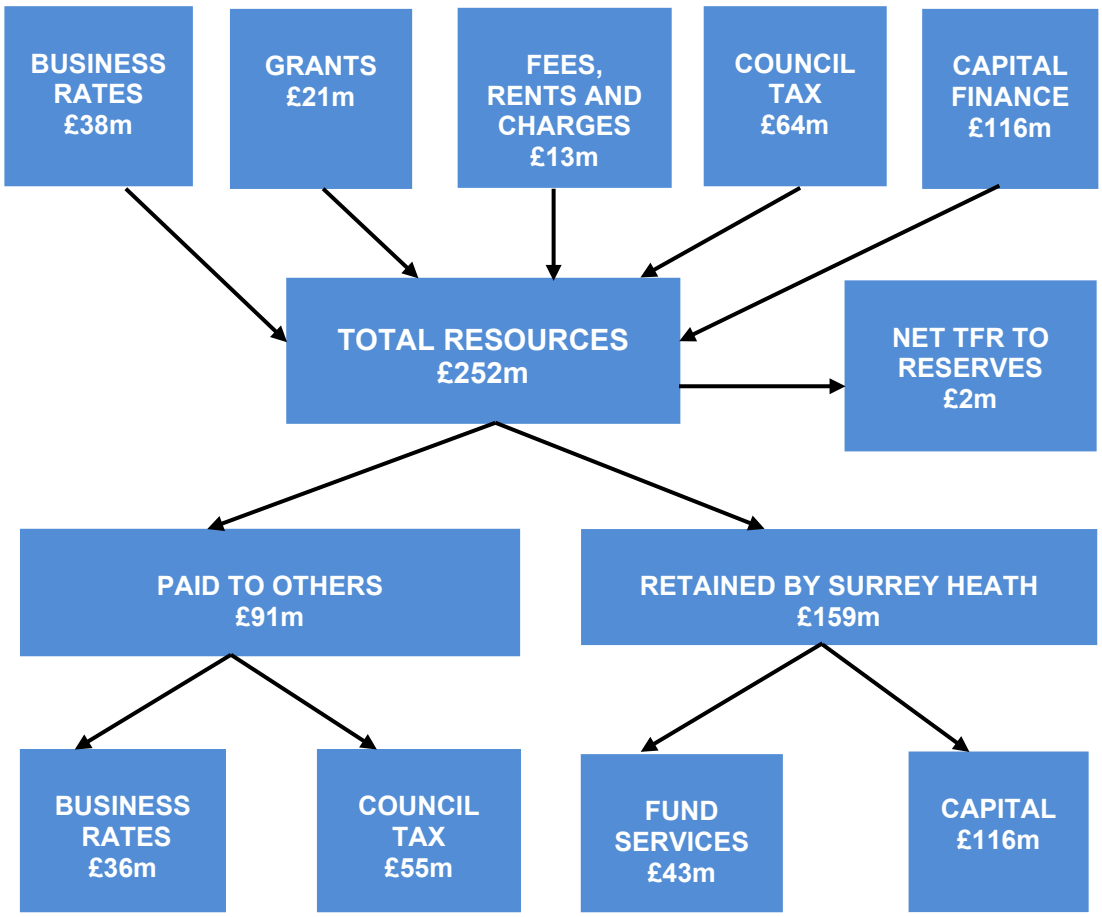
- Collects £38m but only keeps £1.4m. This means that almost 97% is passed to Central Government and Surrey County Council
- Holds £195m of fixed assets of which £46m are operational assets and £149m are used to support regeneration and to deliver income to support services
- Generates £13m in fees, charges and property rents which are used to pay for services

In addition we also collect business rates and Council tax on behalf of all preceptors and have also managed a short term loan portfolio in order to reduce borrowing costs. Annual treasury management of these cashflows and our borrowings leads to over £700m of cash transactions each year.

Capital Cash Flows chart



Revenue cash flows

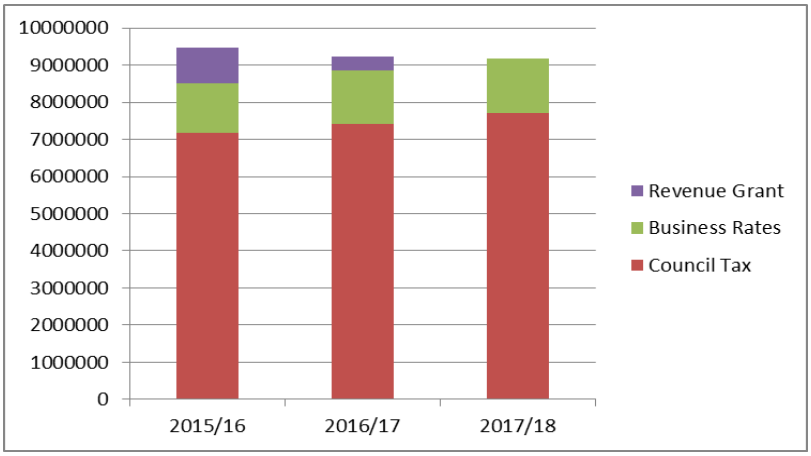


DCLG £18m
SURREY CC £4m
TARIFF & LEVY £14m

SURREY CC £47m
SURREY POLICE £8m

INTRODUCTION

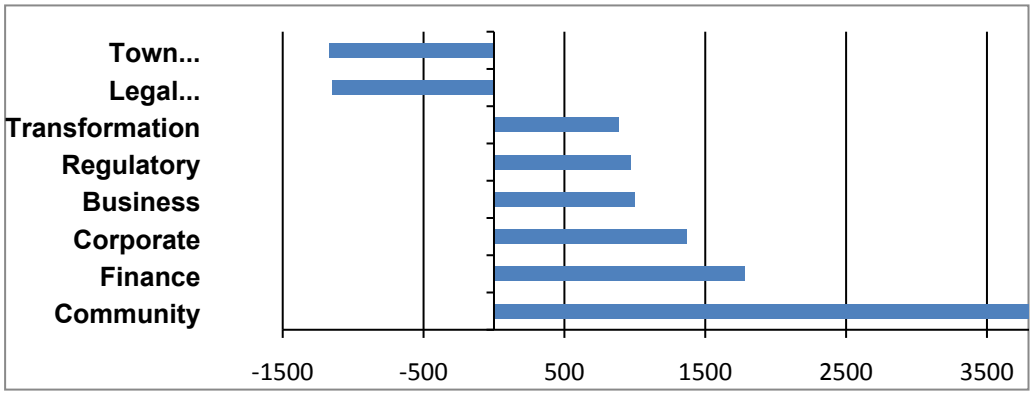
In common with the rest of Local Government Surrey Heath has seen a steady reduction in its core funding which has had to be replaced in part by Council Tax.



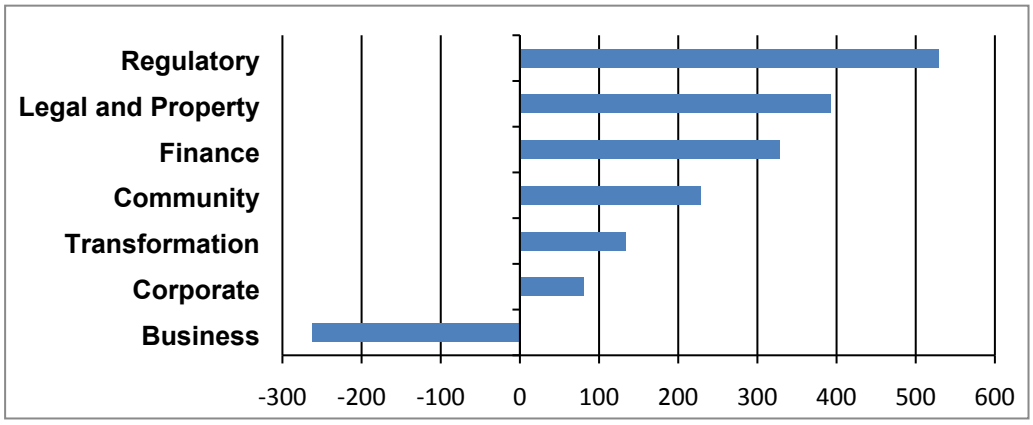
Against this background the Council has pursued a policy of increasing income both from services and investment and also increasing efficiency. This has enabled it to maintain services in this difficult financial environment.

Council Spending 2016/17

Expenditure by services was as follows (in £'000):



Controllable Variances to budget (which excludes asset charges, severance costs and pensions) were as follows (in £'000s):



Major variances were caused by:

Regulatory	Planning Applications £62k underspend Planning Appeals £47k overspend Local Plan £173k underspend but some of this will be carried forward One public estate £194k underspend but some of this will be carried forward Homelessness £105k underspend
Legal and Property	Building control £31k underspend re income Corporate Land Management £155k mainly on repairs to go back to reserves St Georges Industrial Estate £52k underspend re rents Ashwood House £171k overspend due to vacant unit and costs for pending development Albany Park £321k underspend as acquired in year
Finance	Counter fraud fund £57k underspend to be carried forward Council Tax £80k underspend due to more summons Housing benefits £191k underspend due to recoveries not budgeted for
Community	SCC recycling grant £98k underspend to be carried forward Noise pollution £47k underspend due to lower wage costs Recycling and Waste £62k underspend re saving in contract costs Street Cleaning £42k underspend due to saving in contractor costs Windle Valley £25k overspend due to higher staff costs and lower income
Transformation	Economic development £22k underspend re grant not budgeted for Revenue grants £37k underspend re grants awarded Community Safety Partnership underspent by £74k to be transferred to reserves
Corporate	Members £62k underspend re wages and recharges Electoral Registration £46k underspend re wages and grants Public Relations £28k overspend due to wages and recharges
Business	Theatre £267k over budget but actual performance has improved by £200k and cumulative savings are in line with business plan Parking £102k over budget despite slight rise in income this year Arena £95k under budget but this will be carried forward to pay for study on new facility

Council Tax and Business Rates

The Council achieved a surplus on both Business Rates and Council Tax during the year. Of the £2.3m surplus on Council Tax approximately £310k is due to the Council in future years and of the £3.6m business rates £713k is due in future years. The surpluses are due to improved collection and increases in tax bases greater than predicted.

Material assets acquired or liabilities incurred

During the year the Council was offered the opportunity to make a major investment in Camberley Town Centre. The Council acquired all of the holdings of Capital and Regional PLC in Camberley, which consisted of the Mall Shopping Centre, as well as associated landholdings. The Council also acquired the House of Fraser Building. This meant that the Council became the largest landowner in Camberley and hence is in a better position to further the regeneration proposal the town so badly needs and support the Councils number 1 priority. All of the assets acquired were held in a Jersey Property Unit Trust (JPUT) and after taking professional advice have remained as such. These are shown on the balance sheet as “unquoted equity investments”. In addition during the year the Council acquired an industrial and retail estate, Albany Park, within the borough for £16m in order to maintain employment

sites within the borough and also to generate a financial return to support services. All in all these three purchases alone should contribute £1.5m to the General fund in the coming year.

On the advice of our treasury advisors these acquisitions were financed by short term borrowings from other Councils to take advantage of low interest rates. This saved £600k in interest in 2016/17 alone. The Council will look to fix these loans over the next couple of years in order to reduce the risk of interest rate increases.

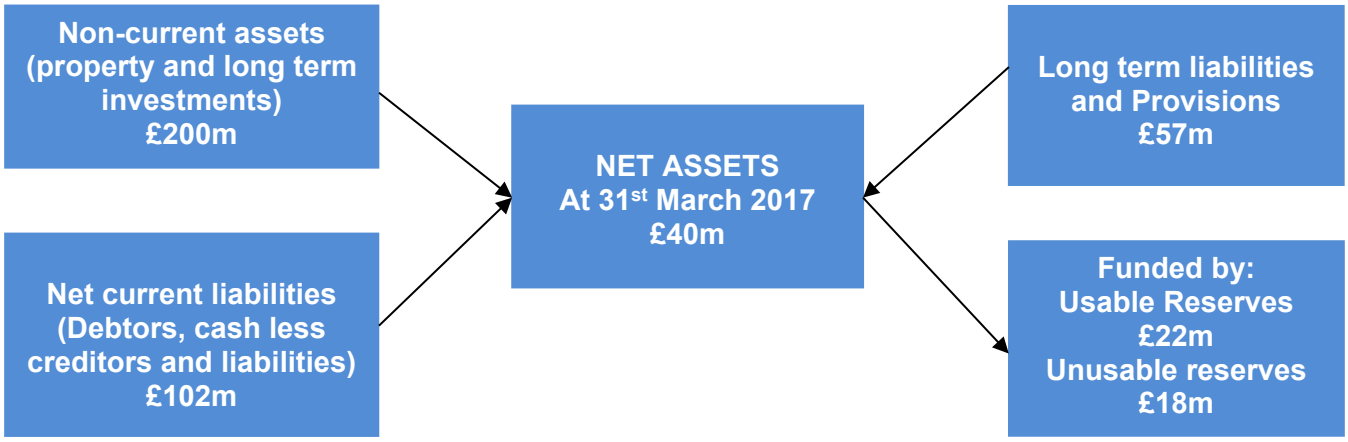
Pensions Liabilities

The Pension's liability is currently £39m as at the 31st March 2017. This is due to the continuing low Gilt rates which increases the cost of future liabilities.

The fund had it full triennial review at the 31st March 2016 and the deficit decreased from £20.5m to £15.5m and the fund had a funding rate of 81%. As a result the actuary recommended no increase in contributions for the next 3 years.

Financial Position

The Council maintains a strong balance sheet despite the financial challenges it faces



The Net assets of the Council have decreased by £8m over the year due to the net pension liability increasing as a result of the actuary's review. The pension fund liability is being addressed as part of a longer term funding plan recommended by the actuaries and is not expected therefore to crystallise in the near future.

Changes to Accounting Policies

There were no significant changes to accounting policies over the year, however they have all been reviewed.

Major changes to Statutory Functions

There were no major changes to statutory functions over the year. However as has been said the Council did make a significant investment in Town Centre property and so a new service, the Property and Investment Service, has been set up to manage this portfolio. The Council also become the lead authority for the Joint Waste Service and also took on the maintenance of verges and roundabouts from Surrey County Council.

Current Borrowing Facilities and Capital Borrowing

During the year the Council entered in to £102m of external borrowing to finance asset purchases and now has borrowings which total £119m. Of this £17m is long term and £102m short term. The Council will seek to fix its borrowing over the coming year to minimise the risk of interest rate increases. Over the year £661k was charged in the accounts for interest all of which was covered by additional income generated from the assets acquired. The treasury strategy allows an upper limit of £167m for borrowing.

Internal and External sources of funds available for the capital program

The Council has £21m in reserves of which approximately half could be used to support the capital program. During the year it has reduced its investments to repay borrowing but could borrow up to its Capital Funding requirement of £140m if the need arose.

Significant Provisions and contingencies

Details of these are given in the financial statements. The most significant provision continues to be that relating to appeals in respect of business rates. This has decreased by £197k to just over £1.56m this year and reflects that a number of appeals were determined in the year.

Details of material events since the balance sheet date

At the time of writing there are no events which would impact upon these financial statements.

Impact of the current economic climate on the authority

The Financial forecast at the end of last year showed that by 2019/20 the Council would need to have made cumulative savings of £1.4m. As a result of the investments made in property this has decreased to £200k. In reality the level of savings is likely to be higher due to the fact that the Government is likely to claw back even more funding, income from Surrey County Council will reduce, more investment in the Town Centre will need to be funded and interest rates could rise. That said this is a real turnaround from last year and although the Council is subject to greater risk, particularly from the property market and interest rates, it does mean that services can be maintained.

The 100% localisation of business rates is unlikely to make much difference to Surrey Heath given the small proportion of rates we actually could get to keep. However the devolution of new responsibilities could bring further risks and so this will be watched closely.

Looking forward the Council wishes to deliver on its key priority to develop Camberley Town Centre. This project in particular will depend on the strength of the wider UK economy in particular the housing and retail markets. A fall in retail demand could lead to a fall in value of the Councils assets. This could be weathered as there is no intention to sell in the near future, however the resultant fall in income would need to be covered by other areas in the Council's budget.

The Council is doing a good job on its own trying to address the financial challenges it faces and preserving services. However in the long run a local Government reorganisation across Surrey is likely to give the best value to the local taxpayer.

1.6 Group Accounts

For many years the Council's number 1 priority has been the redevelopment of the "London Road Block" (LRB) in Camberley. The Council worked for many years with the major landowner of the shopping centre and the LRB block, Capital and Regional PLC to try and bring a redevelopment scheme forward however because the landowner felt they could make better

returns elsewhere this was not possible. During the year Capital and Regional PLC approached the Council and asked whether the Council would be interested in acquiring not only the Mall shopping centre in Camberley but also a significant number of other properties including many that would be required for a redevelopment of the London Road Block. With the approval of members the Council appointed a team of professional advisors to assist with the purchase which included a comprehensive "red book" valuation which set the basis for negotiation. The properties themselves were held in the "Main Square Camberley Unit Trust" which was a Jersey Property Unity Trust (JPUT). The trust is registered and regulated in Jersey, it prepares accounts under UKGAAP including FRS102 and is subject to audit. It is a closed trust i.e. the units cannot be traded and it is transparent for tax purposes i.e. the taxation of the trust is the same as the taxation status of the unit holders.

Following lengthy negotiations and professional advice the Council agreed to purchase all of the Units in the trust from Capital and Regional PLC and ownership was transferred on the 11th November 2016. Under Jersey trust law there must be at least two unit holders for any trust and this is achieved by 99.99% of the units being held directly by the Council and the remaining 0.01% of the units being held by SHBC Camberley Limited, a wholly owned subsidiary of the Council created for this purpose.

Although the management of the trust rests with Jersey based trustees, over which the unit holders have no control, the Council is the beneficial owner of the trust and hence the underlying property and could if it so wished replace the trustees and/or wind up the trust. For these reasons the trust has been considered to be a subsidiary of the Council thereby requiring the preparation of Group Accounts for the first time. Although the trust's financial year runs from January to December and it is the 2016 accounts which have been used in the consolidation there have been no material changes between January and March 2017 which have to be reflected in these financial statements.

The Council was very clear that the purchase could only be made if it generated a surplus after borrowing and MRP costs to contribute towards the Councils financial challenges and thus preserve services. The long term aim was to not only to deliver regeneration but also to grow the investment to generate higher returns which could then be reinvested in further improvements to the town centre as well as supporting services. In order to assist with this the Council appointed professional shopping centre managers to manage the property in their behalf and to advise on how the investment could be used to bring about the regeneration of Camberley. The first stage of this is the Council agreeing to invest in the refurbishment of the centre, which will make it more attractive to tenants, and this work will be commencing in July 2017. The Council as a key landowner is working with advisors on a scheme for the redevelopment of the LRB in furtherance of the Council's key priority, which should come forward in the next 12 months. .

1.7 WHO WORKS FOR THE COUNCIL?

Surrey Heath employs approximately 246 Staff in full-time and part-time positions. Our workforce seeks to reflect the diversity of our community. The Council employs a number of apprentices in a wide variety of roles and from April 2017 will pay an apprenticeship levy. The levy is 0.5% of the Council's total pay bill can be used to pay for apprenticeship training, against an approved apprenticeship standard for both new recruits and for existing Council employees. New types of apprenticeship standards will be available to accredit specific specialist roles to a professional standard, including degree level.

This wider scope allows us to focus on areas of skill shortage and future skills growth areas, as well as mitigate risks in services where a number of specialists may soon be reaching retirement age. Despite economies in other areas Surrey Heath sees the development of its employees as integral to providing quality services and so funding has been maintained in the training budget. In support of this the Council has made significant investments towards the learning and development of its people across the Council who have obtained a whole range of professional qualifications thereby not only improving their skills but also the service they are able to offer to our residents.

1.8 Corporate Risks

The Council has a Corporate Risk Group which assesses corporate risks to the Council services and the achievement of its objectives. The Corporate Risk Register outlines these risks and is presented to Members on an annual basis.

Key corporate risks are considered in the Annual Governance Statement. They include:

- Information security and compliance with data protection legislation;
- Reductions in Government Funding;
- Business Continuity Systems and processes;
- Capacity and Resilience;
- Failure of a major contractor;
- Impact of Legislation;
- Volatility in rental income from property;
- Treasury investment and borrowing risks, and
- Loss of funding from Government and partners.

Summary Position

The Council's financial and non-financial performance in 2016/17 has been good. The Council has taken the bold step of investing in property to further its priorities both in terms of regeneration and generating income. In addition a majority of services have come in under budget due to prudent management of the funds given to them. Whilst there are still a number of issues to address in the future the Council are at least going in the right direction to deal with them.

Receipt of Further Information

If you would like to receive further information about these Accounts, please do not hesitate to contact me at the Finance Department, Surrey Heath Borough Council, Knoll Road, Camberley, Surrey GU15 3HD.

Acknowledgements

The production of the Statement of Accounts would not have been possible without the exceptionally hard work and dedication of staff across the Council. I would like to express my gratitude to all colleagues, particularly from the Finance team, who have assisted in the preparation of this document. I would also like to thank them for all their support during what has been a very challenging financial year.

K S Menon
Executive Head of Finance BSc(Hons) ACA, CIPFA
Explanation of the Financial Statements

INTRODUCTION

The Statement of Accounts sets out the Council's income and expenditure for the year, and its financial position at 31 March 2017. It comprises core and supplementary statements, together with disclosure notes. The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, which in turn is underpinned by International Financial Reporting Standards;

A Glossary of key terms can be found at the end of this publication.

The **Core Statements** are:

- The **Expenditure and Funding Analysis** – this shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices.

- The **Comprehensive Income and Expenditure Statement** – this records all of the Council's income and expenditure for the year. The top half of the statement provides an analysis by service area. The bottom half of the statement deals with corporate transactions and funding. Expenditure represents a combination of:
  - services and activities that the Council is required to carry out by law (statutory duties) such as street cleaning, planning and licensing; and,
  - discretionary expenditure focussed on local priorities and needs.

- The **Movement in Reserves Statement** is a summary of the changes to the Council's reserves over the course of the year. Reserves are divided into "usable", which can be invested in capital projects or service improvements, and "unusable" which must be set aside for specific purposes.

- The **Balance Sheet** is a "snapshot" of the Council's assets, liabilities, cash balances and reserves at the year-end date.

- The **Cash Flow Statement** shows the reason for changes in the Council's cash balances during the year, and whether that change is due to operating activities, new investment, or financing activities (such as repayment of borrowing and other long term liabilities).

The **Supplementary Financial Statements** are:

- The **Annual Governance Statement** which sets out the governance structures of the Council and its key internal controls.

- The **Collection Fund** summarises the collection of Council tax and business rates, and the redistribution of some of that money to the Greater London Authority (GLA) and central government.

- The **Notes** to these financial statements provide more detail about the Council's accounting policies and individual transactions.

Statements of 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 these affairs. In this Council, that officer is the Executive Head of Finance;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

The Executive Head of Finance's responsibilities

The Executive Head of Finance is legally and professionally responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Executive Head of Finance has:

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

The Executive Head of Finance has also:

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

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Council at the reporting date and of its income and expenditure for the year ended 31st March 2017.

Kelvin Menon BSc ACA
Executive Head of Finance
8th November 2017

In accordance with the Accounts and Audit Regulations 2015. I certify that the Statement of Accounts was approved by the Committee on 19 September 2016.

Paul Deach
Chairman of the Audit and Standards Committee
8th November 2017

2. ANNUAL GOVERNANCE STATEMENT 2016/17

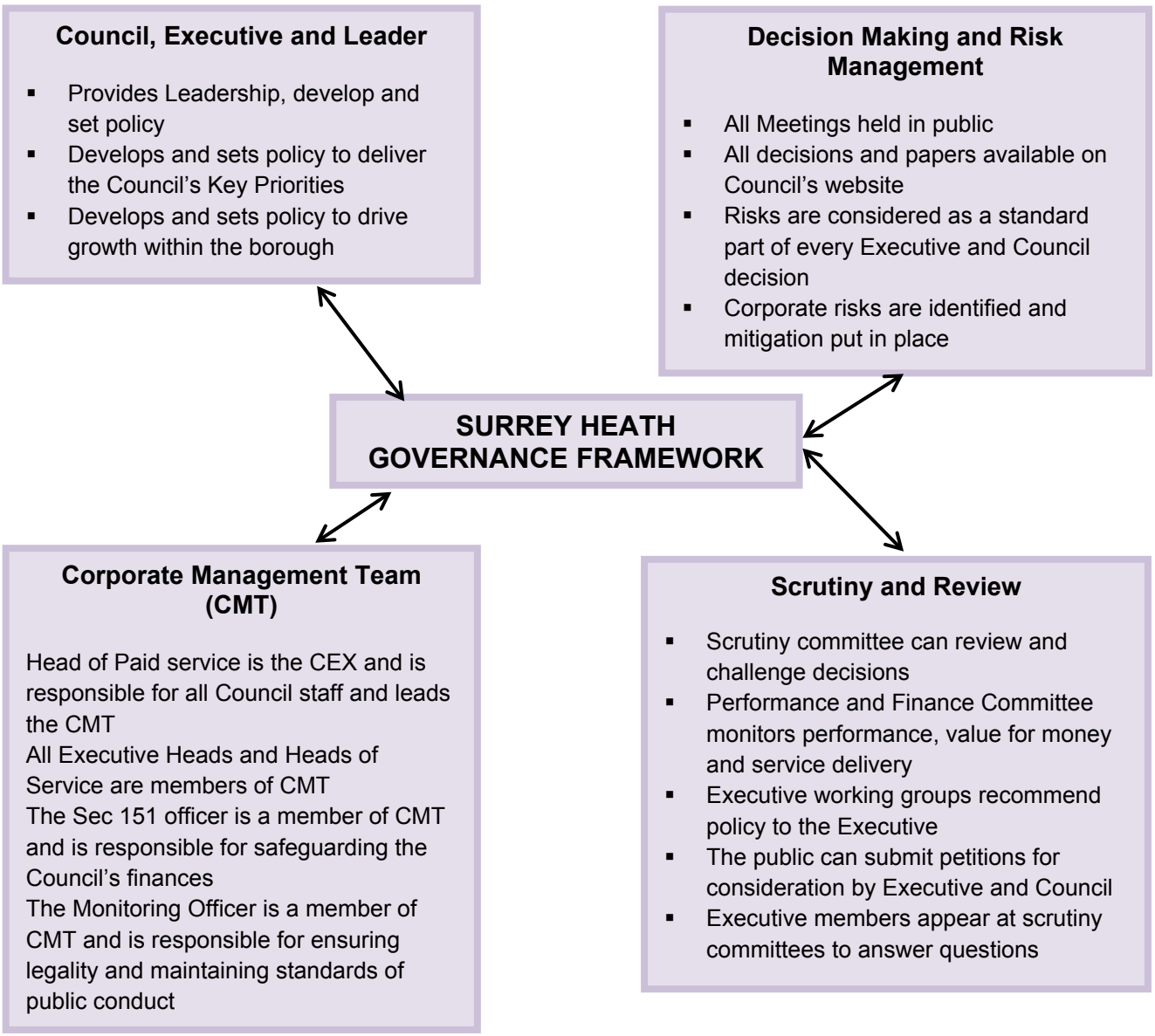
INTRODUCTION

Local authorities are statutorily required to review their governance arrangements at least once a year. Preparation and publication of an Annual Governance Statement in accordance with the CIPFA/SoLACE Delivering Good Governance in Local Government Framework (2016) (the Framework) fulfils this requirement. The Framework requires local authorities to be responsible for ensuring that:

- their business is conducted in accordance with all relevant laws and regulations;
- public money is safeguarded and properly accounted for;
- resources are used economically, efficiently and effectively to achieve agreed priorities which benefit local people.

The Framework also expects that local authorities will put in place proper arrangements for the governance of their affairs which facilitate the effective exercise of functions and ensure that the responsibilities set out above are being met.

KEY ELEMENTS OF THE COUNCIL'S GOVERNANCE FRAMEWORK



HOW WE COMPLY WITH THE CIPFA/SOLACE FRAMEWORK

The Council has approved and adopted a Code of Corporate Governance together with a number of other strategies and processes, such as financial regulations, codes of conduct etc. which strengthen corporate governance.

Set out below is how the Council has complied with the seven principles set out in the CIPFA/SoLACE Framework during 2016/17. New or enhanced arrangements as part of the Council's continuous improvement in its governance have been highlighted **in bold.**

PRINCIPLE A

Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

The Council has a Code of Conduct for elected Members, and a Code of Corporate Governance which provides guidance for officers and Members on expected standards of behaviours to ensure integrity. Members and officers receive training in Code of Conduct and behaviour issues. The Audit and Standards Committee and Monitoring Officer review the Codes of Conduct up to date and investigate any suspected breaches.

All officers and Members must also sign up to the Council's Anti- Fraud and Corruption Policy and declare any interests they may have or gifts they have received which is then recorded in a Register. The Whistleblowing Policy provides protection for individuals to raise concerns in confidence about suspect behaviour and ensuring that any concerns raised are properly investigated. The policy is available on the website and forms part of the Council's induction process. The Council has an internal corporate enforcement team who will investigate any suspected fraud or corruption and report their finding directly to the Monitoring Officer for action to be taken if required.

All Council decisions have to consider legal implications which are included as a standard paragraph in the report being considered. Senior officers and other key post holders receive support from Legal Services in this regard and if specialist legal advice is required then the Council will engage external advisors. The Section 151 and Monitoring Officers have specific responsibility for ensuring legality, for investigating any suspected instances of failure to comply with legal requirements, and for reporting any such instances to members.

The Council has a strong internal audit function that audits all of the Council's functions on a cyclical basis. It reports its findings to the Corporate Management Team and the Audit and Standards Committee on a regular basis. It also has a direct reporting line to the Chief Executive on matters requiring immediate action.

The Council has an Equalities Policy as well as a staff equalities group which champions equalities throughout the organisation.

PRINCIPLE B

Ensuring openness and comprehensive stakeholder engagement

All meetings are open to the public and all agenda papers, reports and decisions made by the Council are published on the Council's website together with details of forthcoming consultation exercises, surveys and, public meetings, except those determined as exempt from publication.

The Council's Constitution sets out how it engages with stakeholders and has representation on the governing bodies of external organisations including the local housing association, CCG and joint bodies. The Council also has a Citizen's Panel that it consults with from time to time.

This year the Council launched the "Talk Surrey Heath" where residents are able to ask questions of the Leader, Executive Members and the Chef Executive via an open podcast on different topics during the year. So far topics covered include the Town Centre and Council's Annual Plan.

The Council holds two business breakfasts during the year to present the work of the Council and to discuss matters of common interest to local businesses. The Council sends every household the quarterly magazine – Heathscene. This year an online version has also been launched and the Council utilises various online communication channels including Twitter, Instagram, Facebook, LinkedIn and YouTube. More specific e-bulletins are created for various communities of interest, such as Businesses, Theatre users etc.

PRINCIPLES C AND D

Defining, optimising and achieving outcomes

This year the Council put in place a new **five year strategy** based around 4 themes. These are People, Place, Prosperity and Performance. For each of these themes there are high level objectives and underneath each, the priorities. A new **Annual Plan** was approved by members which sets out the key targets for the year which will be delivered to further the priorities. The targets feed through into project plans and individual staff and team objectives. This is to ensure that specific outcomes in relation to the five year strategy are defined for key service areas, can be delivered and monitored.

Each service also plans out how it will deliver the outcomes relevant to its area of work in the context of the agreed budget for the year ahead. Services are challenged through a star chamber process on their budgets to ensure value for money. This consists of the Chief Executive and the statutory officers. The Executive Head of Transformation and Executive Head of Corporate Services are tasked specifically with generating income.

To ensure that the Council continues to deliver sustainable social and environmental benefits, there is an Economic Development Plan, as well as a series of more specific strategies. This includes the Health and Well Being strategy, Housing strategy, Drainage Strategy and the Air Quality Strategy.

All service decisions are subject to scrutiny by Executive which includes a review of options and risks by officers and Members. Key performance indicators are in place for all services and these are reported bi annually, together with performance against the Annual Plan, to members for discussion and potential intervention where expected performance is not being achieved.

The Council has a programme of significant transformation. The Council has reviewed 3 services over the last year resulting in greater efficiencies in services delivery. The Council is also investing in technology to enable it to become more efficient. Over the last year development of the **new Arcus software** has taken place for planning, environmental health and building control which would enable more efficient off site working. This will be rolled out to live towards the end of 2017.

The Council works closely at all levels with other authorities to learn and understand how best practice has been delivered elsewhere.

PRINCIPLE E

Developing capacity and capability

A key element of the Council's service planning is to maximise the investment in staff through staff training to enhance the qualifications and skills to enable them to progress up the organisation. Several staff have obtained qualifications through this route and have progressed as a result. The Council has maintained its training budget despite reductions in other areas to ensure that it can develop staff for the future and deal with shortages in key areas such as planning. All employees have Training Requirements as part of their annual appraisal which highlights areas of development required to enable them to fulfil their objectives for that year. The Council provides mandatory training for all staff. In the current year **training on data protection and computer security** has been done by all staff online. The Council also is a member of the Surrey Training Officers Group which offers personal skills training in areas such as conflict resolution on a Surrey wide basis. Members are also able to access a range of training opportunities some of which are mandatory i.e. planning for members of those committees. The Council has a full induction programme for staff and members.

During the year a **number of apprentices** have been recruited in a number of services which the Council are supporting through training and experience. This is seen as a key route to attract staff to the Council. The Council operates a flexible working policy for most of its employees to enable them to achieve a positive work life balance. In addition investment has been made in technology to enable off site working and thereby increase productivity for services such as planning. The Council is in the process of finalising its Workforce Plan which will highlight the workforce needs of the organisation over the coming 5 years.

The Council works across a broad set of partnerships and collaborative arrangements, and uses commissioning and procurement processes to maximise capacity by delivering services in the most effective and efficient way. The main example of this in the current year was the Joint Waste Collection Partnership which is a joint collection contract between 4 Councils of which Surrey Heath is the lead authority.

PRINCIPLE F

Managing risks and performance

The Risk Management Strategy sets out the Council's approach to identifying and controlling risk. A Corporate Risk Register is maintained at a corporate level with significant risks reported to CMT and to the Performance and Finance Committee each year. Progress against the Annual Plan objectives and KPIS are reported bi-annually to members. The Council has a **Bribery Policy** as well as **Financial Regulations**, which were renewed this year, and which set out expected processes and internal controls.

The internal audit team provide regular reports on the effective operation of these controls together with an annual assessment of the overall control environment. The Council has a dedicated Information Management Officer responsible for information governance, security and records management. The newly adopted Information Security Policy governs how information should be securely handled, transmitted, stored and maintained. All staff were required to complete an Information Governance e-learning package during the year to highlight issues around Data Protection.

The Council recognises that it does not have the expertise internally in all cases and engages external advisors as appropriate for example in relation to the Town Centre, Regeneration Development and Planning Appeals.

The Council submits reports on its performance in complaints, planning, environmental protection and a number of other areas to members each year for discussion and comment.

During the year the Council heavily invested in property and is bringing forward plans to regenerate Camberley Town Centre. It recognises that this carries a significant level of commercial and financial risk and it has appointed professional agents to manage and advise on these areas.

PRINCIPLE G

Implementing good practices in transparency, reporting, and accountability

All Council agendas and supporting information, unless exempt, set out the reasons for the decisions made. The Council works to provide clear and accurate information, and has developed both its website and the format of Council reports to improve transparency and accessibility. The Council reports performance against targets, its annual plan objectives and financial budgets on a regular basis. All overdue essential audit recommendations are reported to the CMT and the Audit and Standards Committee, to ensure that officers undertake any follow up actions as appropriate.

REVIEW OF EFFECTIVENESS

The Council uses a number of ways to review and assess the effectiveness of its governance arrangements. These are set out below:

Assurance from Internal and External Audit

One of the key assurance statements the Council receives is the annual report and opinion of the Internal Audit Manager. During 2016/17, 23 areas of audit activity were carried out of which 22 (95%) were given a **substantial** assurance level, including all 9 key financial systems reviewed. In total 90 recommendations were agreed with managers to improve internal controls and processes, and of these 11 were classified as **essential** and a further 64 were classified as **desirable**. The internal auditors' opinion for 2016/17 is that the Council's internal control environment and systems of internal control in the areas audited were adequate with the exception of the one audit given a **limited** assurance level where improvements were recommended:

Issues Identified for 2016/17	Planned action
For venue hires, published fees & charges should be charged, and deposits should be charged and paid up front	Fees & Charges to be published on Council website, and charged correctly in all cases. Venue hire T&Cs updated, deposits charged for auditorium hire
Room security, inc. fire doors to be improved	Review of security arrangements in place and increased security put in place
Contracts with performers to be agreed with all performers and/or agents	All contracts to be reviewed. Actions taken to ensure all contracts are signed by Council and performer/agent
Improvements to be made to the way theatre shows are billed and settled	Event Summary reports to be double checked for accuracy before shows are settled. Show balances to be reconciled against sales reports from the system

The Council's External Auditor KPMG provides assurance on the accuracy of the year end statement of Accounts and the overall adequacy of securing and improving value for money. The most recent Audit Letter, issued in September 2016, identified no material errors and only a corrected error, and gave an unqualified report in respect of value for money.

Self-assessment and review of key performance indicators

Internal Audit has undertaken a review to confirm that the arrangements described above have been in place throughout the year.

The key outcome indicators below have been used to assess the quality of governance arrangements in 2016/17:

Issues Identified	Performance for 2016/17
Formal reports by sec 151 or Monitoring Officer	None issued
Outcomes from Standards Committee of Monitoring Officer investigations	No breaches of member or officer code of conduct have occurred
Proven frauds carried out by members or officers	None identified in 2016/17
Objections received from local electors	None in 2016/17
Local Government Ombudsman referrals upheld exceed national average	Data to be completed
Unsatisfactory/limited internal audit report	None apart from those identified above

Follow up of issues identified in 2015/16

Last year's Annual Governance Report highlighted three key areas for improvement. The table below sets out the action that has been taken to address these issues in the current year:

Issues identified in 2016/17	Action Taken to Date
Risks around major projects such as the Town Centre	The Council has appointed external advisers to assist with the delivery of these projects
Problems with the production of the 2014/15 accounts	Additional resources have been provided during the year resulting in the accounts being submitted on time for audit and with no significant changes

Any issues identified for 2017/18

Apart from the audit issues above the Council has identified the following issues to be addressed during the coming year and any planned action:

Issues identified in 2017/18	Action Taken
The purchase of the Town Centre brings significant new risks and governance issues	The Council has appointed professional advisers to run and manage the centre and has put in place a governance structure consisting of the Chief Executive, the s151 Officer, the Leader and Deputy Leader to monitor performance
Surrey Heath becoming lead authority for the Joint Waste partnership	The Council has put in place a team to manage the contract arrangements and this reports through a joint waste committee which monitors performance
Implementation of the General Data Protection Regulation	Compliance will be required by 25 May 2018, including the appointment of a statutory Data Protection Officer

CONCLUSION

The Council is satisfied that appropriate governance arrangements are in place however it remains committed to maintaining and where possible improving these arrangements, in particular by addressing the issues identified in this report.

Karen Whelan
Chief Executive

Cllr Moira Gibson
Leader

3. INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SURREY HEATH BOROUGH COUNCIL

4. ACCOUNTING POLICIES

4.1 General

The Statement of Accounts has been prepared in accordance with the 2016/17 Code of Practice on Local Authority Accounting in the United Kingdom, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Code is based on International Financial Accounting Standards (IFRS).

The financial information within the statements follows the accounting principles of accruals, going concern and primacy of legislative requirements. Information is included with the statements having regard to the concepts of relevance, reliability, comparability and understandability together with a consideration of materiality.

Where it has been necessary to use estimates in order to most closely reflect the economic transactions, a prudent basis has been adopted.

4.2 Property, Plant and Equipment

Expenditure on the acquisition, creation or enhancement of property, plant and equipment has been capitalised on an accruals basis in the financial statements.

Tangible Fixed Assets are valued, as far as practicable, on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS). Fixed assets are classified into the groupings required by the Code. The following basis has been used:

- Land, operational properties and other operational assets are included in the balance sheet at existing use value (EUV) where there is an active market of the asset. Where there is no active market then Depreciated replacement cost is used

- Non-operational assets, including investment properties and assets that are surplus to requirements, are included in the balance sheet at fair value. Investment property is property held solely to earn rentals or for capital appreciation or both

- Infrastructure and community assets are included in the balance sheet at historical cost

- Surplus assets are included at fair value

- Non-current assets held for sale are included at the lower of the carrying value and the fair value less sale costs

- Heritage assets are assets with historical, artistic, scientific, technological or environmental qualities held and maintained for their contribution to knowledge or culture. From 2011/12 heritage assets have been separately disclosed in the financial statements using their insurance valuation where available. Where no such valuation is available then the historic cost is used in the first instance otherwise an estimate of the asset value is used

- Intangible assets are included in the financial statements at cost

Revaluations of fixed assets are carried out on a rolling programme although material changes in asset valuation will be adjusted when necessary. Valuations are carried out by external RICS qualified valuers in accordance with RICS guidelines. For valuations after 1st April 2010 components parts of assets over

£1m have to be depreciated separately to the rest of the asset. This will only be considered for assets valued over £1m with components greater than £200k.

As at the 31st March 2017 there have been no material components recognised that have a significantly different useful life from that of the asset.

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

Where valuations of fixed assets have fallen at the balance sheet date the value of the impairment is first taken from the Revaluation Reserve, if a balance for that individual asset exits, with any remaining impairment being charged to the Income and expenditure account.

4.3 Depreciation

Depreciation is provided for on all tangible fixed assets where a finite useful life has been determined.

Depreciation is charged on operation building. There is no requirement to depreciate the land element of operation property, community assets or investment property.

For newly acquired assets depreciation is not provided in the year of acquisition. In addition assets in the course of construction are not depreciated until they are brought into use. When identified separately in accordance with the fixed asset policy components are depreciated over the component's useful life.

Depreciation is calculated on the following basis:

- buildings – straight-line method over the useful life of the property as estimated by the valuer
- plant and equipment, other than vehicles – straight-line method over the useful life of the item
- vehicles – reducing balance method over the useful life of the asset
- infrastructure – straight line method over useful life of the item
- intangibles – 100% in year of purchase

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.

4.4 Charges to Revenue for the use of Fixed Assets

In addition to depreciation, amounts set aside from revenue for the repayment of external loans, to finance capital expenditure or for transfers to earmarked reserves are disclosed separately in the Statement of movement in reserves.

4.5 Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset 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 Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council tax.

4.6 Debtors and Creditors

The revenue accounts of the Council are maintained on an accruals basis in accordance with the Code of Practice. This means that sums due to or from the Council during the year are included in the accounts where they are significant whether or not the cash has been actually received of paid in the year.

4.7 Employee Benefits

Where employees have holiday entitlement which has not been used at the balance sheet date the value of the outstanding days are accrued in the Comprehensive Income and Expenditure Statement. A provision is made for the value of the holiday due and is included within current liabilities on the Balance Sheet. The movement in the employee benefit accrual is transferred between the employee benefit reserves and the General Fund Balance.

4.8 Provisions and Reserves

Capital accounting provisions require the maintenance of two reserve accounts in the Consolidated Balance sheet as follows:

- The Revaluation Reserve, which represents the balance of the surpluses or deficits arising on the revaluation of fixed assets since 1st April 2007.
- The Capital Adjustment Account, which represents amounts set aside from revenue resources or capital receipts to finance expenditure on fixed assets or for the repayment of external loans and other capital financing transactions.

The Council sets aside reserves to meet general, rather than specific future revenue or capital expenditure. Any use or contribution to these reserves is shown in the Statement of Movement in Reserves.

The Council also sets aside provisions for specific future expenses which are likely or certain to be incurred but by their inherent nature the amount or timing cannot be determined.

Details of the Council's reserves and provisions are provided in the notes to the balance sheet and Statement of Movements on reserves

4.9 Leases

Leases are classified as either finance or operating leases in accordance with IAS 17.

Finance leases are where substantially all the risks and rewards are transferred to the Council. Assets acquired under finance leases are capitalised and shown on the balance sheet at current value. The in year payments are apportioned between principle, which are charged against the asset value in the Balance Sheet, and interest which is charged to the Comprehensive Income and Expenditure Statement.

Operating leases are leases which are not finance leases. Payments due under these leases are charged directly to the service revenue expenditure within the Comprehensive Income and Expenditure Statement.

4.10 Pensions

The accounting policies of IAS19 can be summarised as follows:

- Schemes with net assets should be shown separately from those with net liabilities
- The attributable assets of each scheme should be measured at fair value
- The attributable liabilities of each scheme should be measured on an actuarial basis using the projected unit method
- Scheme liabilities should be discounted at a rate that reflects the time value of money and the characteristics of the liability
- The surplus/deficit in each scheme is the excess/shortfall of the value of assets on the scheme over/below the present value of the scheme liabilities
- The current service costs should be based on the most recent actuarial valuation at the beginning of the period, with the financial assumptions updated to reflect conditions at that date
- The interest cost should be based on the discount rate and the present value of the scheme liabilities at the beginning of the period
- The expected return on assets is based on long term expectations at the beginning of the period and is expected to be reasonably stable
- Actuarial gains and losses may arise from any new revaluation and from updating the latest actuarial valuation to reflect conditions at the balance sheet date.
- IAS service costs should be disclosed on a straight line basis over the period in which the increases in benefits vests
- Losses arising on settlement or curtailment not allowed for in the actuarial assumptions should be measured on the date the employer becomes demonstrably committed to the transactions and disclosed in notes to the account covering that date. Gains arising from settlements/curtailments not allowed for in the actuarial assumptions should be measured at the date all parties whose consent is required are irrevocable committed to the transaction.

4.11 Grants

Grants for revenue expenditure are accounted for in the same period as the expenditure to which they relate.

Where a grant of contributions is received to purchase fixed assets and any conditions have not been met the grant is credited to capital grants received in advance or donated assets accounts.

When conditions have been met or if there are no conditions the grant is recognised in the Comprehensive Income and Expenditure Statement. The grant is held in the capital grants unapplied reserve until the expenditure is incurred when it is transferred to the capital adjustment account.

4.12 Financial Instruments

Amortised Cost

Most financial instruments (whether borrowing or investment) are valued on an amortised costs basis using the effective interest rate (EIR) method. Interest costs recognised in the comprehensive Income and Expenditure account are the effective interest rate and not the actual interest rate being applied in during the year. For most of the borrowings that the Authority has however this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Fair Value

In the notes to the accounts financial instruments are shown at fair value. Fair value is defined as the amount for which an asset could be exchanged or a liability settled, assuming the transaction was negotiated between parties who are knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiation other than to secure a fair price. The fair values are based on comparable new borrowing/deposit rate for the same financial instrument from a comparable lender. A consistent approach has been applied to both assets and liabilities.

4.13 Cost of Support Services

All management and administrative costs have been charged to services based on estimated allocations and apportionments with any balances being transferred to the general fund.

4.14 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 investments that mature in a period of no more than 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the cash flow statement, cash and cash equivalents are shown net of bank overdrafts that are payable on demand and form an integral part of the Council's cash management.

4.15 Business Improvement Districts

A Business Improvement District (BID) Scheme operates in Camberley Town Centre. Collectively Camberley is made up of all the businesses in the Town Centre and aims to encourage people to visit the Town Centre and use the fantastic range of shops, entertainment and business services that it has to offer.

The scheme is funded by a BID levy paid by the Town Centre non-domestic ratepayers. The Council acts as the agent responsible for the collection of the BID levy.

4.16 Community Infrastructure Levy

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

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grant and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a small proportion of the charges may be used to fund revenue expenditure.

4.17 Unquoted Equity Investments

The Council holds the 99.99% of the units in a Jersey Property Unit Trust. The other 0.01% is held by wholly owned subsidiary of the Council - Surrey Heath Borough Council Camberley Limited a company registered in England and Wales. The units were acquired following a red book valuation from Capital

and Regional PLC during the year and the cost of acquisition plus capitalised legal costs associated with it is reflected in the value in the financial statements. This trust holds significant land holdings in Camberley Town Centre including the Mall shopping centre, House of Fraser and various properties on London Road. Although the Council is the beneficial owner of the property, through the trust, the nature of the trust is such that the Council has overall control of the trust. The trustees, who have to be resident in Jersey, make all decisions affecting the trust in the best interests of the unit holders. As a consequence of this consolidation is required. Dividends are only recognised in the accounts when declared, as until then they remain within the trust.

4.18 Contingent Assets and Liabilities

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 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.

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

4.19 Impact of Accounting Standards Issued but not yet adopted

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code) the Council is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the code. A number of new standards were introduced in the 2016/17 code but none of these have a material impact on the 2015/16 financial statements. There are a number of other standards that have been issued but not implemented as follows:

- IFRS 9 – Financial Instruments. This replaces IAS39 and will apply from the 1st April 2018. The standard makes changes to the ways investments are classified and impairments calculated. This could result in changes to the value of the Councils investments.
- IFRS15 - Construction Contracts. This replaces IAS11 and will apply form 1st April 2018. The standard may change the point as to when revenues and obligations are recognised in the financial statements.
- IFRS19 – Leases. This comes into effect on the 1st April 2019 and eliminates the distinction between finance and operating leases. This will result in all leases being shown on the balance sheet for Lessees unless of low value or less than 12 months. This is unlikely to have material impact on the Council's financial statements.

5. 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 local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2016/2017				2015/2016		
Net Expenditure Chargeable to the General Fund	**Adjustments between the Funding and Accounting Basis**	**Net Expenditure in the comprehensive Income and Expenditure Statement**		**Net Expenditure Chargeable to the General Fund**	**Adjustments between the Funding and Accounting Basis**	**Net Expenditure in the comprehensive Income and Expenditure Statement**
£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**
1,000		1,000	Business	963		963
4,237		4,237	Community	4,170		4,170
1,370		1,370	Corporate	1,360		1,360
1,781		1,781	Finance	1,871		1,871
175		175	Legal	636		636
972		972	Regulatory	1,197		1,197
882		882	Transformation	833		833
10,417	**0**	**10,417**	**Net Cost of Services**	**11,030**	**0**	**11,030**
613	56	557	Other Operating Expenditure	745	221	525
(1,592)	587	(2,179)	Financing & Investment Income	(3,236)	(3,084)	(152)
0	(3,006)	3,006	Adjustments between Funding & Accounting	2,528	(2,944)	5,472
(11,007)	2,199	(13,206)	Taxation and non-specific grant income	(11,558)	1,347	(12,905)
(1,569)	**(164)**	**(1,405)**	**Surplus or Deficit**	**(489)**	**(4,460)**	**3,970**
(19,729)			**Opening General Fund**	**(19,325)**		
			Reserves Movement	**85**		
(1,569)			**Less/Plus Surplus or (Deficit) on General Fund in Year**	**(489)**		
(21,298)		**0**	**Closing General Fund at 31 March**	**(19,729)**		

6. COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2016/2017				Restated 2015/2016		
Gross Expenditure £'000	**Gross Income £'000**	**Net Expenditure £'000**		**Gross Expenditure £'000**	**Gross Income £'000**	**Net Expenditure £'000**
5,388	(4,388)	1,000	Business	4,425	(3,462)	963
6,702	(2,465)	4,237	Community	6,701	(2,531)	4,170
1,635	(265)	1,370	Corporate	1,512	(152)	1,360
18,610	(16,829)	1,781	Finance	19,013	(17,142)	1,871
1,072	(897)	175	Legal	730	(94)	636
3,569	(2,597)	972	Regulatory	3,471	(2,274)	1,197
920	(38)	882	Transformation	856	(23)	833
37,896	**(27,479)**	**10,417**	**Cost of Services**	**36,708**	**(25,678)**	**11,030**
		557	Other Operating expenditure			525
		(2,179)	Financing and investment income and expenditure (note 20)			(152)
		3,006	Other items not included in cost of services for reporting purposes			5,472
		(13,206)	Taxation and Non-specific Grant Income & Expenditure (note 21)			(12,905)
		(1,405)	**(Surplus) or Deficit on Provision of Services**			**3,970**
		1,561	Surplus or deficit on revaluation of property, plant and equipment assets			2,392
		0	Impairment losses on non-current assets charged to the Revaluation Reserve			0
		(71)	Surplus or deficit on revaluation of available for sale financial assets			161
		7,819	Remeasurement of the net defined benefit liability/(asset)			(9,010)
		9,309	**Other Comprehensive Income and Expenditure**			**(6,457)**
		7,904	**Total Comprehensive Income and Expenditure**			**(2,487)**

7. MOVEMENT IN RESERVES STATEMENT

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation and other 'unusable reserves'). The Statement shows how the movements in year of the authority'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 (or 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.

	General fund balance	Capital receipts reserves	Capital grants unapplied	Total Usable reserves	Unusable reserves	Total Authority reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Current Year						
Balance at 31st March 2016	**(19,729)**	**(483)**	**(14)**	**(20,226)**	**(27,253)**	**(47,479)**
Movement in Reserves during 2016/2017						
Total Comprehensive Income and Expenditure	(1,405)			(1,405)	9,309	7,904
Adjustments between accounting basis & funding basis under regulations (note 9)	(164)	332	0	168	(168)	0
Increase or Decrease in 2016/2017	**(1,569)**	**332**	**0**	**(1,237)**	**9,141**	**7,904**
Balance at 31 March 2017 carried forward	**(21,298)**	**(151)**	**(14)**	**(21,463)**	**(18,112)**	**(39,575)**

Comparative Year - restated						
Balance at 31 March 2015	**(19,325)**	**(809)**	**(14)**	**(20,148)**	**(24,844)**	**(44,992)**
Movement in Reserves during 2015/2016						
Total Comprehensive Income and Expenditure	3,970	0		3,970	(6,457)	(2,487)
Adjustments between accounting basis & funding basis under regulations (note 9)	(4,374)	326		(4,048)	4,038	0
Increase or Decrease in 2015/2016	**(404)**	**326**	**0**	**(78)**	**(2,409)**	**(2,487)**
Balance at 31 March 2016 carried forward	**(19,729)**	**(483)**	**(14)**	**(20,226)**	**(27,253)**	**(47,479)**

8. BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the asset and liabilities recognised by the Council. The net assets of the Council are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve which can only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between the accounting basis and funding basis under regulations".

	Note	31st March 2017 £'000	31st March 2016 £'000
Property, plant & equipment			
Other land and buildings	23	40,580	43,625
Vehicles, plant and equipment	23	2,102	2,352
Infrastructure assets	23	43	53
Community assets	23	1,908	1,802
Surplus assets not held for sale	23	969	969
Assets under construction	23	610	40
Total property, plant & equipment		**46,212**	**48,841**
Heritage Assets	24	334	334
Investment property	26	43,912	26,825
Unquoted Equity Investments	26	105,236	0
Long term investments	46	4,054	9,962
Long term debtors	31	166	168
Long term assets		**199,914**	**86,130**
Short term investments	46	0	10,350
Inventories		92	51
Short term debtors	32	5,717	4,699
Cash and cash equivalents	33	6,457	8,030
Current assets		**12,266**	**23,130**
Short-term borrowing	46	(102,100)	(571)
Short term creditors	34	(12,961)	(11,430)
Provisions	34	0	(60)
Current liabilities		**(115,061)**	**(12,061)**
Long term creditors	46	(47)	(27)
NDR Provision for Appeals	34	(1,563)	(1,760)
Long-term borrowing	46	(16,860)	(17,403)
Other long term liabilities - Pensions	43	(39,074)	(30,530)
Long term liabilities		**(57,544)**	**(49,720)**
Net assets		**39,575**	**47,479**
Usable reserves		(21,463)	(20,226)
Unusable reserves	29	(18,112)	(27,253)
Total Reserves		**(39,575)**	**(47,479)**

Kelvin Menon BSc ACA
Executive Head of Finance
September 2017

9. 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 and financing activities. The amount of net cash flow arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the 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 (i.e. borrowing) to the Council.

	Note	2016/17 £'000	2015/16 £'000
Net (surplus) or deficit on the provision of services		(1,405)	3,970
Adjustments for Non-cash movements		88	(5,182)
Adjustments for items that are investing and financing activities		5,727	3,003
Net cash (inflows)/outflows from operating activities		**4,410**	**1,791**
Investing activities	36	102,091	21,842
Financing activities	37	(104,928)	(22,399)
Net (increase)/decrease in cash and cash equivalents		**1,573**	**1,234**
Cash and cash equivalents at the beginning of the reporting period		(8,030)	(9,264)
Cash and cash equivalents at the end of the reporting period		0	0
Movement in cash	**33**	**(6,457)**	**(8,030)**

10. BASIS OF PREPARATION

The Notes to the Core Financial statements are intended to aid the understanding of the key drivers of the financial position of the Council. Each year the Statement of Accounts document is reviewed to ensure that the notes are presented in an order most likely to be of importance to the reader.

11. ACCOUNTING POLICIES

The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position at the year-end of 31st March 2017. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015 which require them to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 ("the Code") and the Service Reporting Code of Practice for Local Authorities 2016/17, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Details of the significant Accounting Policies can be found on pages 26 to 31 of this document.

12. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 4, the Council has had to make certain judgments about complex transactions or those involving uncertainty about future events. The critical judgments made in the statement of accounts are:

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 enough to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

13. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on assumptions which take into account historical experience, current trends, professional knowledge and other various 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 31st March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, plant and equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £0.048m for every year that useful lives had to be reduced.
Pensions liability	Estimation of the net liability to pay pensions depends on a number of complex judgments relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the real discount rate assumption would result in an increase in the pension liability of £9.955m. However, the assumptions interact in complex ways. During 2016/17, the Council's actuaries advised that the net pension's liability has increased by £8.544m.
Debtors	At 31st March 2017, the Council had a balance of sundry debtors of £3.056m. A review of significant balances suggested that an allowance for doubtful debts of £948m was appropriate.	If collection rates were to deteriorate, a full review of the bad debt allowance would be undertaken to review the debts on a case by case basis.
Provisions	Since the introduction of the Business Rate Retention Scheme effective from 1 April 2013, Local Authorities are liable for successful appeals against business rates charged to businesses in 2015/16 and earlier financial years, in their proportionate share. A provision has been recognised as the best estimate that businesses have been overcharged based on the Valuation Office ratings list of appeals, an analysis of previously settled appeals, and other relevant known information.	The Council's share of the business rate appeal provision amounted to £1.563m. For each 1% change in success rate the provision changes by £57k.

This list does not include assets and liabilities that have been carried at fair value based on a recently observed market price.

14. EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was certified for issue by the Section 151 Officer at the time of signing the Accounts. Events taking place after this date are not reflected in the Financial Statements or Notes. At the conclusion of the audit the Statement of Accounts will be recertified and re-issued and events taking place after this recertification are not reflected in the financial statements or notes. Where events taking place before this date, provided information about conditions existing at 31st March 2017, the figures in the Financial Statements and notes have been adjusted in all material respects to reflect the impact of this information.

Grenfell Tower

Following the Grenfell Tower fire the Council was required to confirm that any residential buildings over 18m high with external cladding were clad with limited combustibility cladding.

The Council does not have any residential buildings over 18m high.

15. EXPENDITURE AND FUNDING ANALYSIS

Adjustments between Funding and Accounting Basis - 2016/2017				
Adjustments from General Fund to arrive at the comprehensive Income and Expenditure Statement amounts	**Adjustments for Capital Purposes £'000**	**Net change for the Pensions Adjustment £'000**	**Other Differences £'000**	**Total Adjustments £'000**
Business	(1,056)	(98)		(1,154)
Community	(378)	(124)		(502)
Corporate	(88)	(43)		(131)
Finance	(83)	(89)		(172)
Legal	(45)	(38)		(83)
Regulatory	(782)	(134)		(916)
Transformation	(25)	(23)		(48)
Net Cost of Services	**(2,457)**	**(549)**	**0**	**(3,006)**
Other Operating Expenditure			56	56
Financing & Investment Income	603		(16)	587
Taxation and non-specific grant income			2,199	2,199
Difference between General fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(1,854)	(549)	2,239	(164)

Adjustments between Funding and Accounting Basis - 2015/2016				
Adjustments from General Fund to arrive at the comprehensive Income and Expenditure Statement amounts	**Adjustments for Capital Purposes £'000**	**Net change for the Pensions Adjustment £'000**	**Other Differences £'000**	**Total Adjustments £'000**
Business	(1,590)	(129)		(1,719)
Community	(52)	(163)		(215)
Corporate	(10)	(56)		(66)
Finance	0	(114)		(114)
Legal	(30)	(51)		(81)
Regulatory	(395)	(178)		(573)
Transformation	(145)	(31)		(176)
Net Cost of Services	**(2,222)**	**(722)**	**0**	**(2,944)**
Other Operating Expenditure			221	221
Financing & Investment Income	(2613)		(471)	(3,084)
Taxation and nonspecific grant income			1,347	1,347
Difference between General fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(4,835)	(722)	1,097	(4460)

Adjustments for Capital Purposes

1) Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services 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 i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for the Pension Adjustments

2) Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- **For services** - this represents the removal of the employer pension contributions made by the authority 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 CIES.

Other Differences

3) 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 NDR 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.

Portfolio Income

Services	2016/2017 Income from Services £'000	Restated 2015/2016 Income from Services £'000
Business	(4,388)	(3,462)
Community	(2,465)	(2,531)
Corporate	(265)	(152)
Finance	(16,829)	(17,142)
Legal	(897)	(94)
Regulatory	(2,597)	(2,274)
Transformation	(38)	(23)
Total income analysed on a Portfolio Basis	**(27,479)**	**(25,678)**

16. EXPENDITURE AND INCOME ANALYSIS BY NATURE

Expenditure/Income	2016/2017 £'000	Restated 2015/2016 £'000
Expenditure		
Employee benefits expenses	7,068	7,013
Other services expenses	26,056	28,232
Support service recharges	4,387	4,241
Depreciation, amortisation, impairment	2,457	2,222
Interest payments	934	472
Precept & Levies	557	525
Gain on the disposal of assets	0	0
Total Expenditure	**41,459**	**42,705**
Income		
Fees, charges and other service income	(26,084)	(26,824)
Interest and investment income	(4,175)	678
Income from Council tax, non-domestic rates, district rate income	(10,789)	(10,120)
Government grants and contributions	(1,816)	(2,469)
Total Income	**(42,864)**	**(38,735)**
(Surplus) or Deficit on the Provision of Services	**(1,405)**	**3,970**

17. MEMBERS' ALLOWANCES

The Council paid the following amounts to members of the Council during the year:

	2016/17 £'000	2015/16 £'000
Allowances	274	275
Travel and other allowances	2	1
Mayor	5	5
Total allowances	**281**	**281**

Local Authorities are required to disclose the amounts paid to each member; these are published annually on the Surrey Heath Borough Council website.

18. OFFICERS' REMMUNERATION

The remuneration paid to the Council's senior employees is provided below:

Post Holder Information		Salary (including fees & allowances)	Expenses	Benefits in kind	Employers Pension Contributions	Sub Total	Returning Officer Amount	Total	Note
2016/17		£000	£000	£000	£000	£000	£000	£000	
Chief Executive	**2016/17**	**116**	**2**	**12**	**18**	**148**	**6**	**154**	
	2015/16	115	2	11	19	147	7	154	
Executive Head of Finance	**2016/17**	**86**	**0**	**6**	**13**	**105**	**0**	**105**	
	2015/16	85	0	5	13	103	0	103	
Executive Head of Corporate	**2016/17**	**83**	**0**	**6**	**13**	**102**	**0**	**102**	
	2015/16	26	0	2	4	32	0	32	
Executive Head of Corporate (Interim)	**2016/17**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	
	2015/16	49	1	0	8	58	0	58	Interim Structure to 30/11/15
Executive Head of Transformation	**2016/17**	**80**	**3**	**0**	**12**	**95**	**0**	**95**	
	2015/16	25	1	0	4	30	0	30	
Executive Head of Transformation (Interim)	**2016/17**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	
	2015/16	52	0	4	8	64	0	64	Interim Structure to 30/11/15
Executive Head of Community	**2016/17**	**66**	**0**	**6**	**10**	**82**	**0**	**82**	
	2015/16	69	0	5	11	85	0	85	
Executive Head of Business	**2016/17**	**74**	**2**	**0**	**11**	**87**	**0**	**87**	
	2015/16	23	1	0	4	28	0	28	
Executive Head of Business (Interim)	**2016/17**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	
	2015/16	47	1	0	7	55	0	55	Interim Structure to 30/11/15
Executive Head of Regulatory	**2016/17**	**83**	**2**	**0**	**13**	**98**	**0**	**98**	
	2015/16	79	2	0	12	93	0	93	
Head of Legal	**2016/17**	**75**	**0**	**0**	**12**	**87**	**0**	**87**	
	2015/16	25	0	0	4	29	0	29	
Head of Legal and Property (Interim)	**2016/17**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	
	2015/16	52	0	0	8	60	0	60	Interim Structure to 30/11/15

The interim structure was reviewed during 2015/16 and a permanent structure became effective from 1st December 2015.

Remuneration Bands

Council employees (including senior officers included in the table above) receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Remuneration band	2016/17 Number of employees	2015/16 Number of employees
£50,000 - £54,999	7	8
£55,000 - £59,999	3	3
£60,000 - £64,999	1	0
£65,000 - £69,999	1	1
£70,000 - £74,999	1	3
£75,000 - £79,999	3	1
£80,000 - £84,999	1	2
£85,000 - £89,999	1	1
£90,000 - £94,999	1	0
£95,000 - £99,999	0	0
£100,000 - £104,999	0	0
£105,000 - £109,999	0	0
£110,000- £114,999	0	0
£115,000 - £119,999	0	0
£120,000 - £124,999	0	0
£125,000 - £129,999	1	1
£130,000 - £134,999	0	0
£135,000 - £139,999	0	0
	20	**20**

Exit packages

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies for 2016/17 are set out in the table below:

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17 £	2015/16 £
£0 - £20,000	1	0	2	2	3	2	19,156	18,069
£20,001 - £40,000	3	0	4	1	7	1	199,342	21,423
£40,001 - £60,000	0	0	0	0	0	0	0	0
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	0	2	0	2	0	253,551	0
Total	**4**	**0**	**8**	**3**	**12**	**3**	**472,049**	**39,492**

19. 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 all the receipts of the authority are required to be paid and out of which all liabilities of the authority 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 at the end of the financial year.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land and other assets which are restricted by statute from being used other than to fund 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

The Capital Grants Unapplied 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 the grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Council arising from the increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are revalued downwards and the gains are lost, or the associated investments are disposed of and the gains are realised.

2016/17	Usable reserves		
	General fund balances	Capital receipts reserve	Movement in unusable reserves
	£'000	£'000	£'000
Adjustments to the Revenue Resources			
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements	(1,327)		1,327
Pensions costs (transferred to (or from) the Pensions Reserve	(725)		725
Financial instruments (transferred to the Financial Instruments Adjustments Account)			
Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	1,664		(1,664)
Holiday pay (transferred to the Accumulated Absences Reserve)	64		(64)
Equal pay settlements (transferred to the Unequal Pay/Back Pay Account)			
Total Adjustments to Revenue Resources	**(324)**	**0**	**324**
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve			
Total Adjustments between Revenue and Capital Resources	**0**	**0**	**0**
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)			
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	160		(160)
Capital expenditure financed from revenue balances (transfers to the Capital Adjustment Account)	0	92	(92)
Total Adjustments between Revenue and Capital Resources	**160**	**92**	**(252)**
Adjustments to Capital Resources			
Use of the Capital Receipts Reserve to finance capital expenditure	0	240	(240)
Application of capital grants to finance capital expenditure	**0**	**240**	**(240)**
Cash payments in relation to deferred capital receipts			
Total Adjustments to Capital Resources	**0**	**0**	**0**
Total Adjustments	**(164)**	**332**	**(168)**

2015/16	Usable reserves		
	General fund balances	Capital receipts reserve	Movement in unusable reserves
	£'000	£'000	£'000
Adjustments to the Revenue Resources			
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements	(4,957)		4,957
Pensions costs (transferred to (or from) the Pensions Reserve	(1,230)		1,230
Financial instruments (transferred to the Financial Instruments Adjustments Account)			
Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	1,031		(1,031)
Holiday pay (transferred to the Accumulated Absences Reserve)	(19)		19
Equal pay settlements (transferred to the Unequal Pay/Back Pay Account)	0		
Total Adjustments to Revenue Resources	**(5,175)**	**0**	**5,175**
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	294	(294)	
Total Adjustments between Revenue and Capital Resources	**294**	**(294)**	**0**
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)			
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	37		(37)
Capital expenditure financed from revenue balances (transfers to the Capital Adjustment Account)	154		(154)
Transfer from Deferred Capital Receipts Reserve		(23)	23
Total Adjustments between Revenue and Capital Resources	**191**	**(23)**	**(168)**
Adjustments to Capital Resources			
Use of the Capital Receipts Reserve to finance capital expenditure		643	(643)
Application of capital grants to finance capital expenditure			
Cash payments in relation to deferred capital receipts	316		(316)
Total Adjustments to Capital Resources	**316**	**0**	**(316)**
Total Adjustments	**(4,374)**	**326**	**4,048**

20. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2016/17 £'000	2015/16 £'000
Financing and Investment Income and Expenditure		
Interest payable and similar charges	934	472
Net interest on the defined benefit liability/(asset)	1,062	1,226
Interest receivable and similar	(1,081)	(608)
Income & Expenditure in relation to investment properties and changes in their fair value	(3,094)	1,286
Total	**(2,179)**	**2,376**

21. TAXATION AND NON SPECIFIC GRANT INCOME AND EXPENDITURE

	2016/17 £'000	2015/16 £'000
Taxation and Non-specific Grant Income and Expenditure		
Council tax income	(8,448)	(8,019)
Non-domestic rates income and expenditure	(2,341)	(2,101)
Non-ringfenced government grants	(1,816)	(2,469)
Capital Grants and expenditure	(601)	(316)
Total	**(13,206)**	**(12,905)**

22. GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2016/17:

	2016/17 £'000	2015/16 £'000
Credited to taxation and non-specific grant income		
New Homes Bonus	(1,421)	(1,275)
Revenue support grant	(357)	(1,095)
Section 31 Grants	(402)	(790)
Capital Grants	(601)	(316)
Other grants	(38)	(100)
Total	**(2,819)**	**(3,576)**
Credited to services		
Rent Allowance Subsidy	(15,903)	(16,059)
Housing benefit administration grant	(236)	(224)
Family Support	(211)	(219)
Personalisation and Prevention	(74)	(180)
Council tax benefit grant	(54)	(47)
Other grants	(777)	(459)
Total	**(17,255)**	**(17,188)**
Total Grants	**(20,074)**	**(20,764)**

The Council has no grants, contributions or donations that have yet to be recognised as income because they have conditions attached.

23. PROPERTY, PLANT AND EQUIPMENT

23.1 Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

Class type	Useful life range
Other Buildings	10 to 60 years
Plant and Equipment	2 to 10 years
Vehicles	20% Reducing Balance
Intangible	Written off in year of purchase
Infrastructure	10 to 60 years

23.2 Construction Contracts

At 31st March 2016, the Council had not undertaken any construction contracts.

23.3 Revaluations

The Council carries out a rolling programme that ensures that all material property required to be measured at fair value is revalued at a minimum of every five years. All valuations for the current financial year were carried out by Wilks Head and Eve LLP. Valuations of land and buildings are carried out in accordance with the methodologies and basis for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or the latest list prices adjusted for the condition of the asset.

	Other Land & Buildings £'000	Surplus Assets £'000	Total £'000
Value at fair value as at:			
31 March 2017	34,935	969	**35,904**
31 March 2016	283		**282**
31 March 2015	1,636		**1,636**
31 March 2014	2,454		**2,454**
31 March 2013	1,272		**1,272**
Total Cost or Valuation	**40,580**	**969**	**41,548**

2016/17	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure	Community Assets	Surplus Assets	Assets Under Construction	Total PP&E
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation At 1 April 2016	**49,600**	**4,402**	**129**	**1,802**	**969**	**40**	**56,942**
Additions	0	185	0	106	0	610	**901**
Donations	0	0	0	0	0	0	**(0)**
Revaluation Increases/(decreases) recognised in the revaluation reserve	(1,561)	0	0	0	0	0	**(1,561)**
Revaluation Increases/(decreases) recognised in the surplus / deficit on the provision of services	(1,534)	0	0	0	0	0	**(1,534)**
Revaluation Reversals recognised in the surplus / deficit on the provision of services	0	0	0	0	0	0	**0**
Derecognition - disposals	0	(35)	0	0	0	0	**(35)**
Derecognition - other	0	(171)	0	0	0	0	**(171)**
Assets reclassified (to) / from held for sale	0	0	0	0	0	(40)	**(40)**
At 31 March 2017	**46,506**	**4,381**	**129**	**1,908**	**969**	**610**	**54,503**
Accumulated depreciation and Impairment At 1 April 2016	**(5,975)**	**(2,050)**	**(76)**	**0**	**0**	**0**	**(8,101)**
Depreciation Charge	(767)	(427)	(10)	0	0	0	**(1,204)**
Depreciation written out to the revaluation reserve	0	0	0	0	0	0	**0**
Depreciation written out to the surplus/ deficit on the provision of services	816	27	0	0	0	0	**843**
Impairment losses/reversals recognised in the revaluation reserve	0	0	0	0	0	0	**0**
Impairment losses/reversals recognised in the surplus / deficit on the provision of services	0	0	0	0	0	0	**0**
Derecognition - disposals	0	0	0	0	0	0	**0**
Derecognition - other	0	171	0	0	0	0	**171**
Other movements in depreciation and impairment	0	0	0	0	0	0	**0**
At 31 March 2017	**(5,926)**	**(2,279)**	**(86)**	**0**	**0**	**0**	**(8,291)**
Net Book Value							
At 31 March 2017	**40,580**	**2,102**	**43**	**1,908**	**969**	**610**	**46,212**
At 31 March 2016	**43,625**	**2,352**	**53**	**1,802**	**969**	**40**	**48,841**

2015/16	Other land & buildings £000	Vehicles, plant & equipment £000	Infrastructure £000	Community Assets £000	Surplus Assets £000	Assets under construction £000	Total PP&E £000
Cost or Valuation At 1 April 2015	**54,300**	**7,911**	**154**	**609**	**237**	**963**	**64,174**
Additions	1	340	0	1,087	0	40	**1,468**
Donations	0	0	0	0	0	0	**(0)**
Revaluation Increases/(decreases) recognised in the revaluation reserve	(3,109)	0	0	0	717	0	**(2,392)**
Revaluation Increases/(decreases) recognised in the surplus / deficit on the provision of services	(1,239)	0	0	0	15	0	**(1,224)**
Revaluation Reversals recognised in the surplus / deficit on the provision of services	0	0	0	0	0	0	**0**
Derecognition - disposals	0	(2)	0	0	0	0	**(2)**
Derecognition - other	(353)	0	0	0	0	0	**(353)**
Assets reclassified (to) / from held for sale	0	9	0	106	0	(963)	**(848)**
Other movements in Cost or Valuation	0	(3,856)	(25)	0	0	0	**(3,881)**
At 31 March 2016	**49,600**	**4,402**	**129**	**1,802**	**969**	**40**	**56,942**
Accumulated depreciation and Impairment At 1 April 2015	**(5,836)**	**(5,451)**	**(91)**	**0**	**0**	**0**	**(11,378)**
Depreciation Charge	(926)	(455)	(10)	0	0	0	**(1,391)**
Depreciation written out to the revaluation reserve	0	0	0	0	0	0	**0**
Depreciation written out to the surplus/ deficit on the provision of services	764	0	0	0	0	0	**764**
Impairment losses/reversals recognised in the revaluation reserve	0	0	0	0	0	0	**0**
Impairment losses/reversals recognised in the surplus / deficit on the provision of services	23	0	0	0	0	0	**23**
Derecognition - disposals	0	0	0	0	0	0	**0**
Derecognition - other	0	0	0	0	0	0	**0**
Other movements in depreciation and impairment	0	3,856	25	0	0	0	**3,881**
At 31 March 2016	**(5,975)**	**(2,050)**	**(76)**	**0**	**0**	**0**	**(8,101)**
Net Book Value At 31 March 2016	**43,625**	**2,352**	**53**	**1,802**	**969**	**40**	**48,841**
At 31 March 2015	**48,464**	**2,460**	**63**	**609**	**237**	**963**	**52,796**

24. HERITAGE ASSETS

A reconciliation of the carrying value of heritage assets held by the Council is shown in the table below:

	Museum £'000	Civic Regalia £'000	Other £'000	Total £'000
Cost or Valuation 1st April 2015	175	111	48	334
Revaluations	0	0	0	0
31st March 2016	**175**	**111**	**48**	**334**
Cost or Valuation 1st April 2016	175	111	48	334
Revaluations	0	0	0	0
31st March 2017	**175**	**111**	**48**	**334**

24.1 Museum

Surrey Heath Museum is a small museum with displays of local history and the environment of Surrey Heath, including archaeology, natural history, local social history and the effect of the army. It also regularly holds temporary exhibitions and provides additional services for schools.

24.2 Other

A modern piece of artwork is displayed outside the Atrium. The value of this asset is separately identifiable at £0.048m.

24.3 Three Year Summary of Transactions

	2016/17 £'000	2015/16 £'000	2014/15 £'000
Cost of Acquisitions of Heritage Assets			
Museum Artwork	166	166	166
Civic Regalia	111	111	111
Other	48	48	48
Total Cost of Purchases	**325**	**325**	**325**
Value of Heritage Assets Acquired by Donation			
Museum Artwork	9	9	9
Total Donations	**9**	**9**	**9**

25. INTANGIBLE ASSETS

The Council accounts for its software as intangible assets, to the extent that software is not an integral part of a particular IT system and is not accounted for as part of any hardware item recorded in Property, Plant and Equipment. Intangible assets include both purchased licences and internally generated software.

During 2016/17 no capital expenditure was incurred in relation to this category.

26. INVESTMENT PROPERTIES

The following items of income and expense have been accounted for in the Comprehensive Income and Expenditure Statement in the Income and Expenditure in relation to Investment Properties and changes in their fair value line.

	2016/17 £'000	2015/16 £'000
Rental income from investment property	(1,582)	(1,786)
Direct operating expenses arising from investment property	262	641
Profit on Sale of Assets	0	(97)
Revaluations (Gains)/Losses on Revaluations	(603)	2,528
Investment Equity Income	(1,239)	0
Investment Equity Expenditure	68	0
Net (Income)/Expenditure on Investment Properties	**(3,094)**	**1,286**

There are no restrictions on the Council's ability to realise the value inherent in its investment property or 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 towards repairs, maintenance or enhancement.

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

	2016/17 £'000	2015/16 £'000
Balance at start of the year	26,825	12,534
Purchases	16,484	15,823
Disposals	0	(205)
Transfers	0	1,201
Net gains/(losses) from fair value adjustments	603	(2,528)
Balance at end of the year	**43,912**	**26,825**

Unquoted Equity Investment

The Council held the following unquoted equity investments:

	2016/17 £'000	2015/16 £'000
Balance at start of the year	0	0
Purchases		
Main Square Camberley Unit Trust	105,236	0
SHBC Camberley Limited (£1)	0	0
Disposals	0	0
Balance at end of the year	**105,236**	**0**

Main Square Camberley Unit Trust is a Jersey Property Unit Trust (JPUT) that holds a number of properties in Camberley Town Centre. They comprise of the Mall Shopping Centre, properties on High Street, London Road, Princess Way and Obelisk Way as well as the House of Fraser building and Natwest Bank.

All of the units in the trust were previously owned by Capital and Regional PLC and were sold to the Council on the 11th November 2016. The trust is a registered trust in Jersey and is regulated by the Jersey financial services authority and is also approved by the UK Government as a "Baker trust" for tax purposes.

In order to comply with the rules of the trust 99.99% of the units are held by the Council directly and 0.01% of the units are held by SHBC Camberley Limited, a wholly owned subsidiary of the Council.

The trust is independently controlled by professional trustees who are based in Jersey. They appoint managing agents, collect rents, pay costs and run the trust in the best interests of the unit holders. The trust deed confirms the ability of the Council to remove the trustees and also has the power to remove the majority or all of the investee's board and therefore has power over the trustee. For this reason the trust will be consolidated into the Council's financial statements.

The unit holders exercise no power over the trustees nor the assets and indeed if they were able to do so this would breach the terms of the trust thereby losing its status as a JPUT.

The Trustees are able under the terms of the trust to declare a distribution and this is recognised in the Council's financial statements when it is declared.

The wholly own subsidiary SHBC Camberley Limited is a company incorporated in England and Wales and was incorporated on the 20th October 2016. It has not been consolidated on the grounds of materiality as its issued share capital at the 31st March 2017 was £1, it holds £223 in cash and owes the Council £10,512 being the value of 0.01% of the total trust assets.

27. 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 that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue, as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

	2016/17 £'000	2015/16 £'000
Opening capital financing requirement	**18,101**	**1,484**
Capital investment		
Property, plant and equipment	185	1,510
Community assets	105	
Investment assets	16,444	15,823
Unquoted Equity Investments	105,236	0
Assets under construction	610	40
Revenue expenditure funded from capital under statute	535	395
Sources of finance		
Capital receipts	(239)	(643)
Government grants and other contributions	(627)	(402)
Sums set aside from revenue	0	(69)
Unfinanced Capital Expenditure in year	**122,249**	**16,654**
Less: Statutory provision for the financing of Capital Investment	(160)	(37)
Closing capital financing requirement	**140,190**	**18,101**
Explanation for Movement in year		
Increase/(decrease) in underlying need to borrow	**122,089**	**16,617**

28. TRANSFERS (TO) / FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund Balance to specific Earmarked Reserves to provide financing for future expenditure plans and the amounts posted back from Earmarked Reserves to meet General Fund expenditure in 2016/17.

* More detail on the purpose of each earmarked reserve can be found in the Glossary at the end of this document.

Reserve	Balance 31 March 2015 £000	Net Transfers for 2015/16 £000	Balance 31 March 2016 £000	Transfers in 2016/17 £000	Transfers out 2016/17 £000	Balance 31 March 2017 £000
Capital Fund	9,367	305	9,672	28	(255)	9,445
Earmarked Revenue purposes						
Affordable Housing	316	461	777	274	0	1,051
Atrium public art	13	0	13	0	0	13
Atrium S106 Agreement	341	(7)	334	1	(9)	326
Blackwater Valley developers contributions	106	(5)	101	0	(6)	95
Chewing gum machine	13	(3)	10	0	(2)	8
Chobham and Town Team Partnership	5	0	5	0	0	5
Community fund 2002	329	(29)	300	0	(47)	253
C.I.L	0	288	288	212	0	500
C.I.L. Admin and Monitoring				44	0	44
Commuted sums	691	(63)	628	2	(32)	598
Crime and disorder partnership	122	(13)	109	0	(7)	102
Custom Build	0	0	0	15	0	15
Deepcut Village Centre: Alma Dettingen	377	0	377	21	(40)	358
Frimley Lodge Park 3G Pitch	0	25	25	21	0	46
Heatherside: multi-use games area	39	(6)	33	0	0	33
Insurance reserve fund	217	(14)	203	0	0	203
Interest Equalisation	0	0	0	675	0	675
Land drainage	384	0	384	0	0	384
LLC Personal Search Revocation	25	9	34	0	(11)	23
New Burdens Fund	130	(27)	103	0	0	103
Old Dean toddlers playground	20	0	20	0	(2)	18
One Public Estate				119	0	119
Personalisation and Prevention Partnership Fund	44	13	57	30	0	87
Planning S106 Agreements	134	56	190	26	0	216
Planning Tariff Contributions	459	154	613	39	(17)	635
Property Maintenance	1,914	(130)	1,784	135	(15)	1,904
Recycling/Refuse Equalisation	206	0	206	0	(26)	180
Remediation fund	45	0	45	0	0	45
SANGS	1,167	(170)	997	555	(307)	1,245
Surrey Family Support Programme	158	43	201	41	0	242
Total Revenue Purposes	**7,255**	**582**	**7,837**	**2,210**	**(521)**	**9,526**
TOTAL	**16,622**	**887**	**17,509**	**2,238**	**(776)**	**18,971**

29. UNUSABLE RESERVES

Unusable Reserves	2016/17 £'000	2015/16 £'000
Revaluation Reserve	(21,854)	(22,911)
Capital Adjustment Account	(33,648)	(34,987)
Deferred Capital Receipts Reserve	0	0
Pensions Reserve	39,074	30,530
Collection Fund Adjustment Account	(1,720)	(56)
Accumulated Absences Account	90	154
Available for sale Fin Inst Reserve	(54)	17
Total Unusable Reserves	**(18,112)**	**(27,253)**

29.1 Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its property, plant and equipment. 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 1st 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.

Revaluation Reserve	2016/17 £'000	2015/16 £'000
Balance at 1 April	**(22,911)**	**(25,385)**
Upward revaluation of assets	(5,452)	(2,044)
Downward revaluation of assets and impairment losses not charged to the surplus / deficit on the provision of services	7,013	4,436
(Surplus) or deficit on revaluation of non-current assets not posted to the surplus or deficit on the provision of services	**1,561**	**2,392**
Difference between fair value depreciation and historical cost depreciation	(504)	82
Amount written off to the Capital Adjustment Account	(504)	82
Balance at 31 March	**(21,854)**	**(22,911)**

29.2 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 enhancement of those assets under statutory provisions. The account is debited with the cost of

acquisition, construction or enhancement 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 enhancement.

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 1st April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 25 provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

Capital Adjustment Account	**2016/17 £'000**	**2015/16 £'000**
Balance at 1 April	**(34,987)**	**(38,712)**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non-current assets	388	626
Revaluation losses/gains(-) on property, plant and equipment	1,533	1,201
Revenue expenditure funded from capital under statute	535	394
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	8	208
	2,464	**2,429**
Adjusting amounts written out of the Revaluation Reserve	504	(82)
Net written out amount of the non-current assets consumed in the year	**2,968**	**2,347**
Capital financing applied in the year:		
Use of the capital receipts reserve to finance new capital expenditure	(239)	(643)
Capital grants and contributions credited to Comprehensive Income and Expenditure Statement that have been applied to capital financing	(535)	(316)
Application of grants to capital financing from the capital grants unapplied account	0	0
Capital Expenditure funded from Reserves	(92)	(86)
Statutory provision for the financing of capital investment charged against the General Fund Balance	(160)	(37)
Capital expenditure charged against the General Fund Balance	0	(68)
	(1,026)	**(1,150)**
Movements in the market value of investment properties debited or (credited) in the Comprehensive Income and Expenditure Statement	(603)	2,528
Balance at 31 March	**(33,648)**	**(34,987)**

29.3 Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts.

When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

Deferred Capital Receipts Reserve	2016/17 £'000	2015/16 £'000
Balance 1st April	**0**	**(23)**
Transfer to the capital receipts reserve upon receipt of cash	0	23
Balance at 31 March	**0**	**0**

29.4 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, as 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.

Pension Reserve	2016/17 £'000	2015/16 £'000
Balance 1st April	**30,530**	**38,310**
Actuarial (gains) and losses on pensions assets and liabilities	7,819	(9,010)
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	2,885	3,204
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,160)	(1,974)
Balance at 31 March	**39,074**	**30,530**

29.5 Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

Collection Fund Adjustment Account	2016/17 £'000	2015/16 £'000
Balance 1st April	**(56)**	**975**
Amount by which Council tax income and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from Council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	(1,664)	(1,031)
Balance at 31 March	**(1,720)**	**(56)**

29.6 Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31st March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the account.

Accumulated Absences Account	2016/17 £'000	2015/16 £'000
Balance 1st April	**154**	**135**
Comprehensive income and expenditure statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(64)	19
Balance at 31 March	**90**	**154**

29.7 Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Council arising from the increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are revalued downwards and the gains are lost, or the associated investments are disposed of and the gains are realised.

Available for Sale Financial Instruments Reserve	2016/17 £'000	2015/16 £'000
Balance at 1 April	**17**	**(144)**
Upward revaluation of investments	(638)	0
Downward revaluation of investments not charged to the surplus / deficit on the provision of services	0	161
	(621)	**17**
Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of other investment income	567	0
Balance at 31 March	**(54)**	**17**

30. LEASES

30.1 Finance Leases

The Council has no finance leases.

30.2 Council as Lessee – Operating Leases

The Council leases four vans from Apetito to assist in providing the Meals on Wheels service to residents and some lease cars.

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

Council as Lessee - Operating Leases	2016/17 £'000	2015/16 £'000
Not later than one year	56	53
Later than one year and not later than five years	69	114
Total	**125**	**167**

Expenditure charged to the following services in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

30.3 Council as Lessor – Operating Leases

Operating lease expenditure charged	2016/17 £'000	2015/16 £'000
Adult social care	25	25
Other Services	31	28
Total	**56**	**53**

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

- for the provision of community services, such as sports facilities, tourism services and community centres; and
- for economic development purposes to provide suitable affordable accommodation for local businesses.

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

Council as Lessor - Operating Leases	2016/2017 £'000	2015/16 £'000
Not later than one year	1,810	1,076
Later than one year and not later than five years	4,901	1,949
Later than five years	5,701	2,254
Total	**12,412**	**5,279**

The Council is also Lessor of the Atrium shopping centre in Camberley for which it receives a fixed percentage of net rent collected. In 2016/17 the income was £243,589 and in 2015/16 £215,814. The lease is expected to continue into the foreseeable future. However, on the grounds of materiality this has not been separated into the component parts within this note.

31. LONG TERM DEBTORS

Details of the Council's long term debtors are shown below:

Long Term Debtors	2016/17 £'000	2015/16 £'000
Charges on properties	166	168
Total	**166**	**168**

*The reduction in the Housing Loans balance reflects the removal of payments that were made by the Council on behalf of Flexible Home Improvements Limited. The corresponding Creditor has also been removed.

32. SHORT TERM DEBTORS

Details of the Council's short term debtors are shown below:

Short Term Debtors	2016/17 £'000	2015/16 £'000
Central government bodies	862	1,245
Other local authorities	1,462	2,168
Sundry debtors	3,055	1,170
Other Entities and Individuals	1,285	1,196
	6,664	**5,779**
Allowance for bad debts	(947)	(1,080)
Total	**5,717**	**4,699**

33. CASH AND CASH EQUIVALENTS

Details of the Council's cash and cash equivalents are shown below:

Cash and Cash Equivalents	2016/17 £'000	2015/16 £'000
Cash held by the Council	11	7
Bank current accounts	2,399	2,013
Short term deposits	4,047	6,010
Total cash and cash equivalents	**6,457**	**8,030**

34. SHORT TERM CREDITORS & PROVISIONS

34.1 Short Term Creditors

Details of the Council's short terms creditors are shown below:

Creditors	2016/17 £'000	2015/16 £'000
Central government bodies	(5,666)	(3,053)
Other local authorities	(4,347)	(4,158)
Other entities and individuals	(2,948)	(4,219)
Total	**(12,961)**	**(11,430)**

34.2 Provisions

The NNDR provision relates to the estimated value of successful appeals that were probable at the Balance Sheet date but where the timing and amount were uncertain.

Provisions	2016/17 £'000	2015/16 £'000
Balance 1st April 2016	**60**	**0**
Additional provisions	(60)	60
Balance 31 March 2017	**0**	**60**

NDR Provision	2016/17 £'000	2015/16 £'000
Balance 1st April 2016	**1,760**	**1,280**
Additional provisions	(197)	480
Balance 31 March 2017	**1,563**	**1,760**

35. CASH FLOW STATEMENT – OPERATING ACTIVITIES

2016/2017 £'000		2015/2016 £'000
840	Interest received	136
(500)	Interest paid	0
(1,239)	Dividends received	0
The surplus or deficit on the provision of services has been adjusted for the following non-cash movements		

2016/2017 £'000		2015/2016 £'000
1,204	Depreciation	1,390
718	Impairment and downward valuations	437
535	Amortisation	395
75	Increase/(decrease) in impairment for bad debts	64
(276)	Increase/decrease in creditors	(331)
(1,262)	Increase/decrease in debtors	(695)
(42)	Increase/decrease in inventories	(15)
(221)	Increase/decrease in borrowing interest	0
725	Movement in pension liability	1,230
8	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	122
615	Other non-cash items charged to the net surplus or deficit on the provision of services	2,585
2,079		**5,182**

36. CASH FLOW STATEMENT – INVESTING ACTIVITIES

The cash flows for investing activities include the following items:

Cash Flow Statement - investing activities	2016/17 £'000	2015/16 £'000
Purchase of property, plant and equipment, investment property and intangible assets	(122,885)	(17,730)
Purchase of short term and long term investments	16,259	(6,012)
Other payments for investing activities	3,932	1,597
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	0	303
Net cash flows from investing activities	**(102,694)**	**(21,842)**

37. CASH FLOW STATEMENT – FINANCING ACTIVITIES

The cash flows for financing activities include the following items:

Cash Flow Statement - financing activities	2016/17 £'000	2015/16 £'000
Cash receipts of short and long term borrowing	100,986	17,900
Other receipts from financing activities	3,942	4,499
Net cash flows from financing activities	**104,928**	**22,399**

38. TRADING OPERATIONS

The table below shows those operating units of the Council where service managers are required to operate within a commercial environment and balance their budget by generating income from other parts of the Council, other organisations and the general public.

	2016/17		2015/16 Restated	
	Turnover £'000	(Surplus) / deficit £'000	Turnover £'000	(Surplus) / deficit £'000
Camberley Theatre	(846)	451	(651)	628
Car parks	(2,070)	(873)	(2,045)	(846)
Building control - chargeable	(307)	(9)	(292)	4
Total	**(3,223)**	**(431)**	**(2,988)**	**(214)**

Camberley Theatre

The Council owns and manages a theatre that puts on a variety of productions.

Car Parks

The car parks are owned and managed by the Council.

Building Control

Under Regulations the Council is required to monitor the position on Building Control chargeable activities and demonstrate, taking one financial year with another, that the chargeable service as nearly as possible equates to the costs incurred.

39. AGENCY SERVICES

The Council provides the following services on behalf of Surrey County Council and Hampshire County Council through Agency Agreements:

- Suitable Alternative Natural Green Space (SANGS) agreements in relation to Swan Lakes, Hawley Meadows, Shepherds Meadows and Strategic Access Management & Monitoring (SAMM).
- Management of two gypsy sites at Swift Lane and Kalima.
- Civil parking enforcement and controlled parking zones.

	2016/17 £'000	2015/16 £'000
Suitable Alternative Natural Green Space (SANGS)		
Income	(487)	(734)
Expenditure	416	1,082
(Surplus) / deficit on the agency arrangement	**(71)**	**348**
Gypsy sites		
Income	(116)	(132)
Expenditure	100	117
(Surplus) / deficit on the agency arrangement	**(16)**	**(15)**
Parking Services		
Income	(364)	(353)
Expenditure	418	341
(Surplus) / deficit on the agency arrangement	**54**	**(12)**

* Under the Agency Agreement for Civil Parking Enforcement the Council will receive a 20% share of any surpluses, and this is accrued to the Council's Income.

40. EXTERNAL AUDIT COSTS

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

	2016/17 £'000	2015/16 £'000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	48	42
Fees payable for the certification of grant claims and returns for the year	8	8
	56	**50**

41. RELATED PARTIES

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

- Central Government;
- Elected Members of the Council;
- Officers of the Council; and
- Other Public Bodies.

Central Government

Central Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council tax bills, housing benefits). Grants receivable from government departments are set out in Note 22.

Members

Members of the Council have direct control over the Council's financial and operating policies. Five members are also members of Surrey County Council but have no personal interest in any transactions. Payments totalling £4,017 were paid to 6 organisations in which 5 members had an interest. The relevant members did not take part in any discussion or decision relating to the payments. Payments totalling £5462 were received from three organisations in which 3 members had an interest. Details of all these transactions are recorded in the Register of Members' Interests, open to public inspection at Surrey Heath House during office hours.

The total of Members' allowances paid in 2016/17 is shown in Note 18.

Officers

Chief Officers have the ability to influence the Council. For 2016/17, no outside interests were declared, other than those arising by virtue of being the Council's representative.

Other Public Bodies (subject to common control by Central Government)

The Council had significant financial transactions with both Surrey County Council and Surrey Police Authority, details of which are shown in the Collection Fund Statement for 2016/17.

42. PRIOR PERIOD ADJUSTMENTS

The 2015/16 Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement have been restated as the 2016/17 CIPFA regulations require income and expenditure to be reported along management lines. There is no impact on the Balance Sheet or results for 2015/16.

43. DEFINED BENEFIT PENSION SCHEMES

43.1 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 that need to be disclosed at the time that employees earn their future entitlement.

The Council participates in two post-employment schemes:
The Local Government Pension Scheme, administered locally by Surrey County Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

Arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension's payments as they eventually fall due.
The Local Government Pension Scheme operates under the regulatory framework for this scheme, and the governance of the local scheme is the responsibility of the Pensions Committee of Surrey County Council. Policy is determined in accordance with the Pensions Fund Regulations. The investment managers of the fund are appointed by the pensions committee, consisting of the Head of Finance for Surrey County Council, the Pension Fund Manager, four county Councillors, two district Council representatives, an employee representative and two professional investment advisors.
The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme (i.e. 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 the amounts required by statute as described in the accounting policies note (see Note 4).

43.2 Transactions relating to Post-Employment 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 we are required to make 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 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:

	Local Government Pension Scheme	
	2016/17 £'000	**2015/16 £'000**
Comprehensive Income and Expenditure Statement		
Service Costs included in Cost of Services - Current Service Cost	1,823	1,978
Included in Financing and Investment Income and Expenditure - Net Interest expense	1,062	1,226
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	**2,885**	**3,204**
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement		
Remeasurement of the net defined benefit liability comprising:		
- Return on plan assets (excluding the amount included in the net interest expense)	9,687	1,390
- Actuarial gains and losses arising on changes in financial assumptions	(16,475)	(8,510)
- Other experience	(1,031)	(1,890)
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	**(7,819)**	**(9,010)**

43.3 Assets and Liabilities in relation to Post-employment Benefits

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans are:

	Local Government Pension Scheme	
	2016/17 £'000	**2015/16 £'000**
Present value of the defined benefit obligation	(115,242)	(95,714)
Fair value of plan assets	76,168	65,184
Net liability arising from defined benefit obligation	**(39,074)**	**(30,530)**

43.4 Reconciliation of fair value of the scheme assets:

	Funded Assets: local government pension scheme		Unfunded Assets: discretionary benefits arrangements	
	2016/17 £'000	2015/16 £'000	2016/17 £'000	2015/16 £'000
Opening fair value of scheme assets	**65,184**	**65,432**	**0**	**0**
Interest Income	2,263	2,079		
Remeasurement gain/(loss):				
- the return on plan assets, excluding the amount included in the net interest expense	9,687	(1,390)		
The effect of changes in foreign exchange rates				
Contributions from employer	1,952	1,762	208	212
Contributions from employees in the scheme	481	472		
Benefits paid	(3,399)	(3,171)	(208)	(212)
Closing fair value of scheme assets	**76,168**	**65,184**	**0**	**0**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

43.5 Reconciliation of present value of the scheme liabilities

	Funded Liabilities: local government pension scheme		Unfunded Liabilities: discretionary benefits arrangements	
	2016/17 £'000	2015/16 £'000	2016/17 £'000	2015/16 £'000
Opening Balance at 1 April	**(95,714)**	**(103,742)**		
Current Service cost	(1,823)	(1,978)		
Interest cost	(3,325)	(3,305)		
Contributions from scheme participants	(481)	(472)		
Remeasurement (gains) and losses:				
- Actuarial gains/losses arising from changes in financial assumptions	(16,475)	8,510		
- Other Experience	(1,031)	1,890		
Past service cost	0	0		
Liabilities assumed on entity combinations				
Unfunded Benefits paid			208	212
Benefits paid	3,399	3,171		
Closing balance at 31 March	**(115,450)**	**(95,926)**	**208**	**212**

43.6 Local Government Pension Scheme Assets

The fair value of the Local Government Scheme assets are shown in the table below:

Asset category	Percentage of Total Assets	Period Ended 31 March 2017			Period Ended 31 March 2016		
		Quoted prices in active markets £'(000)	Quoted prices not in active markets £'(000)	Total £'(000)	Quoted prices in active markets £'(000)	Quoted prices not in active markets £'(000)	Total £'(000)
Cash and cash equivalents							
All	12%	9,023		9,023	1,820		1,820
Equity Securities							
Consumer	8%	6,179		6,179	5,236		5,236
Manufacturing	7%	5,602		5,602	3,985		3,985
Energy and Utilities	4%	3,071		3,071	1,831		1,831
Financial Institutions	7%	5,388		5,388	4,659		4,659
Health and Care	3%	2,035		2,035	2,297		2,297
Information Technology	6%	4,290		4,290	3,530		3,530
Other	0%	155		155	96		96
Bonds							
Corporate Bonds (investment grade)	3%	2,644		2,644	2,789		2,789
Corporate bonds (non-investment grade)	0%	167		167	173		173
UK Government	0%	155		155	0		0
Other	0%	349		349	87		87
Private Equity							
All	4%		3,197	3,197	0	2,593	2,593
Real Estate							
UK Property	6%	1,214	3,117	4,331	1,707	2,227	3,934
Overseas Property	0%	0	28	28	0	511	511
Investment Funds and Unit Trusts							
Equities	28%	21,122		21,122	16,968		16,968
Bonds	11%	8,326		8,326	6,994		6,994
Other	0%			0	8,074		8,074
Derivatives:							
Interest Rate		(2)		(2)	0		0
Foreign Exchange		108		108	(393)		(393)

	100%	69,826	6,342	76,168	59,853	5,331	65,184

43.7 Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 1st April 2013.

The principal assumptions used by the Actuary are shown in the table below:

	Local Government Pension Scheme	
	2016/17	2015/16
Mortality assumptions:	**Years**	**Years**
Longevity at 65 for current pensioners:		
Men	22.5	22.5
Women	24.6	24.6
Longevity at 65 for future pensioners:		
Men	24.1	24.5
Women	26.4	26.9
Rate of inflation	2.4%	2.4%
Rate of increase in salaries	2.7%	3.8%
Rate of increase in pensions	2.4%	2.4%
Rate for discounting scheme liabilities	2.5%	3.2%

The estimation of the defined benefit obligations is sensitive to the Actuary's assumptions set out in the above table. The sensitivity analysis in the table below has been determined based on reasonable possible changes of the assumptions occurring at the end of the reporting period and assumes for each change, that the assumption analysed, changes whilst all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases and decreases for men and women. In practice, this is unlikely to occur, and changes in some assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme i.e. on an actuarial basis using the projected unit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	Approximate % increase to Employer Liability	Approximate monetary amount (£'000)
Change in assumptions at 31 March 2017		
0.5% decrease in Real Discount Rate	9%	9,955
0.5% increase in the Salary Increase Rate	1%	1,233
0.5% increase in the Pension Increase Rate	7%	8,594

43.8 Impact on Council's cash flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. The latest triennial valuation as at the 31 March 2016 recommends no increase in contribution.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the act, the Local Government Pension Scheme in England and Wales and other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits.

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The net liability of £39m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary; and finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The Council anticipates paying £1.9m contributions to the scheme in 2017/18.

The weighted average duration of the defined benefit obligation for scheme members is 16.3 years.

44. CONTINGENT LIABILITIES

The Council has identified the following Contingent Liabilities:

- The Council was a member of the Municipal Mutual Insurance Limited. The Council is party to a reserve scheme of arrangement with the company which was entered into in October 1993 after the company ceased trading in September 1992. Following unfavourable litigation in the Supreme Court, the directors have triggered a contingent scheme of arrangement under section 425 of the Companies Act 1985 as a solvent run off could not be foreseen. The Council's total exposure under the scheme of arrangement is £141k, against which a total levy of 25% has been raised; £21k in 2014/15 and £14k in 2015/16. These amounts have been charged to the Comprehensive Income and Expenditure Account in the respective years. The Council's remaining potential liability from unpaid claims at 31 March 2017 was £63k which the Council holds as part of the earmarked Insurance Reserve Fund. Given the nature of the claims, projections remain uncertain and therefore no provision has been made and the Council is maintaining its earmarked reserve to fully cover its exposure.

- A firm of commercial property agents has made an application for 80% mandatory charitable relief from business rates on behalf of a local NHS Trust. The application demands a discount for the 2016/17 financial year and also a rebate covering the previous six years which, if approved would amount to a cost of approximately £2m for the Council. In the past NHS trusts have been considered as public sector-funded organisations rather than charities, partly because they have boards of directors rather than trustees and on these grounds the application has been rejected. Over 100 Councils have received similar letters and the Local Government Association has taken legal advice over the issue and believes the Councils have grounds to reject the applications. It may be that a test case through the courts may be required before this issue is fully resolved.

- A resident is currently in dispute with the Council over some remedial work which he alleges has affected the drainage on their property. The original works were completed in 2005 and the Council is applying to resist the application to court on various grounds as lacking merit. Were the Council to lose then there would be liability for costs and works which is difficult to quantify but could be over £200k.

- An employee is making a claim for back pension arising from an early retirement. Although the case, as brought, has been struck out by the court and the remaining claim dismissed by the court of appeal, an appeal is being made to the Supreme Court. It is unlikely that the case will be successful but if it were to be so then the Council would be liable for costs and historical pension liabilities which it is not possible to quantify with any certainty.

45. CONTINGENT ASSETS

The Council has a number of charges on properties, in respect of expenditure incurred by the Council on those properties. These amounts are included within Long Term debtors and have no set date for repayment. The charge on the property is released when repayment is received and fees and interest then become due. It is estimated that the total of these future fees and interest is in the region of £150,000.

46. FINANCIAL INSTRUMENTS

Financial instruments are contractual arrangements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

46.1 The following categories of financial instruments are carried in the Balance Sheet:

Financial Assets	Long Term		Current	
	2016/17 £'000	2015/16 £'000	2016/17 £'000	2015/16 £'000
Investments				
Loans and receivables-Investments Principal	2,000	2,000	0	6,302
Available-for-sale financial assets	2,054	7,962	0	4,008
Loans and receivables-Investments accrued interest	0	0	0	40
Investments	**4,054**	**9,962**	**0**	**10,350**
Loans and receivables-Cash and cash equivalents	0	0	6,417	8,020
Loans and receivables-Cash and cash equivalents accrued interest	0	0	41	10
Total Investments	**4,054**	**9,962**	**6,458**	**18,380**
Debtors				
Financial assets carried at contract amount	166	168	5,717	4,699
Total Financial Assets	**4,220**	**10,130**	**12,175**	**23,079**

Financial Assets	Long Term		Current	
	2016/17 £'000	2015/16 £'000	2016/17 £'000	2015/16 £'000
Borrowing				
Financial liabilities at amortised costs-Loans Principal	(16,860)	(17,403)	(101,866)	(374)
Financial liabilities at amortised costs-Loans accrued interest	0	0	(234)	(197)
Total	**(16,860)**	**(17,403)**	**(102,100)**	**(571)**
Creditors				

Financial liabilities carried at contract amount	(47)	(27)	(13,940)	(11,430)
Total creditors	**(47)**	**(27)**	**(13,940)**	**(11,430)**

46.2 Reclassifications

No investments were reclassified in 2016/17. In 2015/16, the following investments were reclassified from Long Term Investments to Short Term Investments at year end: London Borough of Islington (£2.0m) and Lancashire county Council (£1.5m).

46.3 Income, expense, gains and losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following items:

2016/17						2015/16				
Financial liabilities measured at amortised cost	Financial assets: loans and receivables	Financial assets: available for sale	Assets and liabilities at fair value through profit and loss	**Total**		Financial liabilities measured at amortised cost	Financial assets: loans and receivables	Financial assets: available for sale	Assets and liabilities at fair value through profit and loss	**Total**
£'000	**£'000**	**£'000**	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
661	0	0	0	**661**	Interest expense	454	0	0	0	**454**
0	213	0	0	**213**	Impairment Losses	0	0	0	0	**0**
47	0	13	0	**60**	Fee expense	6	0	12	0	**18**
708	**213**	**13**	**0**	**934**	**Total expense in surplus or deficit on the provision of services**	**460**	**0**	**12**	**0**	**472**
0	(105)	(25)	0	**(130)**	Interest income	0	(114)	(17)	0	**(131)**
0	0	0	0	**0**	Interest income accrued on impaired financial assets	0	(32)	0	0	**(32)**
0	(26)	0	0	**(26)**	Increase in fair value	0	(93)	0	0	**(93)**
0	0	(358)	0	**(358)**	Dividend income	0	0	(352)	0	**(352)**
0	0	(567)	0	**(567)**	Gains on de-recognition					
0	**(131)**	**(950)**	**0**	**(1,081)**	**Total income in surplus or deficit on the provision of services**	**0**	**(239)**	**(369)**	**0**	**(608)**
0	0	33	0	**33**	(Gains) on revaluation	0	0	(87)	0	**(87)**
0	0	(104)	0	**(104)**	Losses on revaluation	0	0	248	0	**248**
0	**0**	**(71)**	**0**	**(71)**	**(Surplus) / deficit arising on revaluation of financial assets in other comprehensive income**	**0**	**0**	**161**	**0**	**161**

					and expenditure					
708	**82**	**(1,008)**	**0**	**(218)**	**Net (gain) / loss for the year**	**460**	**(239)**	**(196)**	**0**	**25**

The Council has no soft loans.

46.4 Fair values of assets and liabilities

Financial assets classified as available for sale and all derivative assets and liabilities are carried in the Balance Sheet at fair value. For most assets, including bonds, treasury bills and shares in money market funds and other pooled funds, the fair value is taken from the market price. The fair values of other instruments have been estimated calculating the net present value of the remaining contractual cash flows at 31st March 2017, using the following methods and assumptions:

- Certificates of deposit and forward loan contracts have been discounted at market interest rates for instruments of similar credit quality and remaining term to maturity.

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2017, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31st March.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

Fair values are shown in the table below, split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

Recurring Fair Value Measurements	Input level in Fair Value Hierarchy	Valuation technique used to measure Fair Value	31/03/2017 Fair Value £'000	31/03/2016 Fair Value £'000
Available for sale-long term investments	Level 1	Quoted prices in active markets for identical assets	2,054	7,962

As at 31/3/17 the Council held £2.1m (2016 - £8.0) in Long Term Investments which are Pooled Funds comprised of the CCLA Property Fund. In 2016, the Council held investments in CCLA Property Fund of £2.1m, M&G Investments £2.9m and Threadneedle Investments £3.0m.

It is the Council's stated intention that these investments are being held for a longer term to generate higher returns.
There were no transfers between input levels during the financial year 2016/17.
There has been no change in valuation technique used during the year for the financial instruments.

	Fair Value Level	Balance sheet 31.03.17 £000s	Fair Value 31.03.17 £000s	Balance sheet 31.03.16 £000s	Fair Value 31.03.16 £000s
Financial assets held at fair value:					
Money market funds	1		-	6,974	
Bond, equity and property funds	1	2,077		7,998	
Financial assets held at amortised cost:					
Long term loans to local authorities	2	2,017	2,063	2,017	2,027
TOTAL		**4,094**	**2,063**	**16,989**	**2,027**
Assets for which fair value is not disclosed *		13,279		16,220	
TOTAL FINANCIAL ASSETS		**17,373**		**33,209**	
Recorded on balance sheet as:					
Long term debtors		166		168	
Long term investments		4,054		9,962	
Short term debtors		5,717		4,699	
Short term investments		0		10,350	
Cash and cash equivalents		7,436		8,030	
TOTAL FINANCIAL ASSETS		**17,373**		**33,209**	

* The fair value of short-term financial assets including trade receivables is assumed to approximate to the carrying amount.

The fair value of financial assets held at amortised cost is higher than their balance sheet carrying amount because the interest rate on similar investments is now lower than that obtained when the investment was originally made.

	Fair Value Level	2016/17		2015/16	
		Balance Sheet £'000	Fair Value £'000	Balance Sheet £'000	Fair Value £'000
Financial liabilities held at amortised cost:					
Loans from PWLB	2	16,400	19,511	16,519	17,204
Other Loans	2	102,560	102, 593	1,455	1,467
Total		**118,960**	**122,104**	**17,974**	**18,671**
Liabilities for which fair value is not disclosed		53,061	53,061	41,987	41,987
Total Financial liabilities		**172,021**	**175,165**	**59,961**	**60,658**

Recorded on Balance Sheet as:				
Short Term Creditors		13,940		11,430
Short Term Borrowing		102,100		571
Long Term Creditors		47		27
Long Term Borrowing		16,860		17,403
Other long Term Liabilities		39,074		30,530
Total Financial Liabilities		**172,021**		**59,961**

*The fair value of short term financial liabilities including trade payables is assumed to approximate to the carrying amount.

The fair value of financial liabilities held at amortised cost is higher than their balance sheet carrying amount because the authority's portfolio of loans includes a number of loans where the interest rate payable is higher than the current rates available for similar loans as at the Balance Sheet date.

47. NATURE AND EXTENT OF RISKS OF FINANCIAL INSTRUMENTS

47.1 Introduction

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 (both revised in November 2011).

As part of the adoption of the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with the Department for Communities and Local Government Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy and its Treasury Management Practices are based on seeking the highest rate of return consistent with the proper levels of security and liquidity.

The main risks covered are:

- Credit Risk: The possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the Council.
- Liquidity Risk: The possibility that the Council might not have the cash available to make contracted payments on time.
- Market Risk: The possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates or equity prices.

47.2 Credit risk

Investments

The Council manages credit risk by ensuring that investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK government, other local authorities, and organisations

without credit ratings upon which the Council has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap and equity prices when selecting commercial entities for investment.

The Council may invest its surplus funds with any of the counterparty types in the table below, subject to the cash limits (per counterparty) and the time limits shown.

Approved Investment Counterparties and Limits:

Credit Rating	Banks Unsecured	Banks Secured	Building Societies	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	n/a	£ Unlimited	n/a	n/a
AAA	£3m	£3m	£2m	n/a	£2m	£2m
	5 years	10 years	3 years		20 years	10 years
AA+	£3m	£3m	£2m	n/a	£2m	£2m
	3 years	10 years	3 years		10 years	10 years
AA	£3m	£3m	£2m	n/a	£2m	£2m
	3 years	5 years	3 years		5 years	5 years
AA-	£3m	£3m	£2m	n/a	£2m	£2m
	3 years	4 years	3 years		4 years	5 years
A+	£3m	£3m	£2m	n/a	£2m	£2m
	2 years	3 years	2 years		3 years	3 years
A	£3m	£2m	£2m	n/a	£1m	£2m
	12 months	2 years	12 months		2 years	2 years
A-	£3m	£2m	£1m	n/a	£1m	£2m
	6 months	12 months	6 months		12 months	1 year
BBB+	£3m	£1m	£1m	n/a	n/a	£1m
	100 days	6 months	100 days			6 months
BBB or BBB-	£1m	N/A	n/a	n/a	n/a	n/a
	next day only					
None		n/a	£1m	n/a	n/a	n/a
			6 months			
Pooled funds	£2m per fund					
Challenger Banks	£1m for 6 months					
Supranational Banks	£3m for up to 5 years where rated A or above					
UK Local Councils	£2m per authority for up to 5 years					

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £5m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2017 that this was likely to crystallise.

Receivables

Customers are assessed for their ability to pay depending on the size of the debt, financial position, past experience and any other relevant factors.

The Council's credit risk on lease receivables is mitigated by its legal ownership of the assets leased, which can be repossessed if the debtor defaults on the lease contract.

The following analysis summarises the Council's trade receivables by due date. Only those receivables meeting the definition of a financial asset are included.

	31/03/2017		31/03/2016	
	Lease receivables £'000	Trade receivables £'000	Lease receivables £'000	Trade receivables £'000
Neither past due nor impaired	419	232	170	29
Past due <3 months	8	39	8	35
Past due 3 - 6 months	0	37	1	13
Past due 6 - 12 months	10	36	2	21
Past due 12+ months	8	64	1	118
Individually impaired	0	0	0	0
Total	**445**	**408**	**182**	**216**

47.3 Liquidity risk

On the advice of its treasury advisors the Council has borrowed short term so as to take advantage of low interest rates. Any saving in interest as compared with the PWLB rates has been placed in an interest equalisation reserve to be realised should rates rise in the short term. In addition the Council has access to loans at favourable rates from the PWLB and other local authorities, and at higher rates from banks and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments however in a last resort could sell assets to meet these liabilities. The Council is working with its advisors to fix a proportion of its borrowings over the next year to reduce interest rate risk going forward.

The maturity analysis of financial instruments is as follows:

Time to maturity (years)	31/03/2017			31/03/2016		
	Liabilities £000s	Assets £000s	Net £000s	Liabilities £000s	Assets £000s	Net £000s
Not over 1	101,888	(7,396)	94,492	559	(17,324)	(16,765)
Over 1 but not over 2	392	(4,094)	(3,702)	388	0	388
Over 2 but not over 5	2,935	0	2,935	3,187	(11,019)	(7,832)
Over 5 but not over 10	770	0	770	745	0	745
Over 10 but not over 20	1,970	0	1,970	1,907	0	1,907
Over 20 but not over 30	2,727	0	2,727	2,640	0	2,640
Over 30 but not over 40	3,774	0	3,774	3,653	0	3,653
Over 40	4,327	0	4,327	4,763	0	4,763
Total	**118,783**	**(11,490)**	**107,293**	**17,842**	**(28,343)**	**(10,501)**

47.4 Market Risks: Interest rate risk

The Council is 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 authority. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited will rise
- investments at fixed rates – the fair value of the assets will fall

Investments classed as "loans and receivables" and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on the Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in the fair value of fixed rate investments classed as "available for sale" will be reflected in Other Comprehensive Income and Expenditure.
The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates. At 31 March 2017, £7.0m (2016: £5m) of net principal borrowed on long term loans (i.e. debt net of investments) was exposed to fixed rates and £99m (2016: £0m) in short term loans was exposed to variable rates.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	£'000
Increase in interest payable on variable rate borrowings	1,019
Increase in interest receivable on variable rate investments	(21)
Decrease in fair value of investments held for trading	0
Change in fair value of derivative financial instruments	0
Increase in government grant receivable for financing costs	0
Impact on Surplus or Deficit on the Provision of Services	**998**
Decrease in fair value of available for sale financial assets	(33)
Impact on Comprehensive Income and Expenditure	**965**
Decrease in fair value of loans and receivables *	(4,353)
Decrease in fair value of fixed rate borrowings/liabilities *	(3,048)

* No impact on Comprehensive Income and Expenditure.

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

47.5 Market Risks: Price risk

The Council's investment in a pooled property fund is subject to the risk of falling commercial property prices.

This risk is limited by the Council's maximum exposure to property investments of £2.1m (2016 - £2.0m). A 5% fall in commercial property prices would result in a £0.1m (2016 - £0.1m) charge to Other Comprehensive Income & Expenditure – this would have no impact on the General Fund until the investment was sold.

The Council disposed of its investment in pooled equity funds which were subject to the risk of falling share prices. This risk is limited by the Council's maximum exposure to equity investments of £nil (2016 - £1.9m).

47.6 Market risks: Foreign exchange risk

Icelandic Banks

During the year the Council converted its remaining balance in ISK to £sterling. As a consequence the Council held no foreign currency denominated balances as at the 31st March 2017 and is therefore not exposed to any foreign exchange risk.

48. COLLECTION FUND

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of Council tax and non-domestic rates.

	2016/17			2015/16		
	Business Rates £'000	Council Tax £'000	Total £'000	Business Rates £'000	Council Tax £'000	Total £'000
INCOME						
Council Tax Receivable		64,138	64,138		61,572	61,572
Business Rates Receivable	37,737		37,737	36,212		36,212
	37,737	**64,138**	**101,875**	**36,212**	**61,572**	**97,784**
EXPENDITURE						
Apportionment of Previous Year Surplus/(Deficit)						
Central Government	(438)		(366)	(739)		(739)
Surrey Heath Borough Council	(351)	72	98	(592)	120	(472)
Surrey County Council	(88)	449	(9)	(148)	750	602
Surrey Police Commissioner		79	0		130	130
	(877)	**600**	**(277)**	**(1,479)**	**1,000**	**(479)**
Precepts, Demands and Shares						
Central Government	17,568		17,568	16,862		16,862
Surrey Heath Borough Council	14,054	8,139	22,193	13,490	7,869	21,359
Surrey County Council	3,514	46,787	50,301	3,372	44,641	48,013
Surrey Police Commissioner		8,123	8,123		7,902	7,902
	35,136	**63,049**	**98,185**	**33,724**	**60,412**	**94,136**
Charges to the Collection Fund						
Transitional Protection Payments due to Central Government	136		136			
Less: Write off for uncollectible amounts			0	98	57	155
Less: Increase/Decrease in Bad Debt Provision	(307)	80	(227)	64	(139)	(75)
Lees: Increase/Decrease in Provision for Appeals	(493)		(493)	1,101		1,101

Lees: Cost of Collection	126		126	122		122
Interest Payable			0	39		39
	(538)	**80**	**(458)**	**1,424**	**(82)**	**1,342**
Total Expenditure	**33,721**	**63,729**	**97,450**	**33,669**	**61,330**	**94,999**
Surplus/(Deficit) arising during the year	**4,016**	**409**	**4,425**	**2,543**	**242**	**2,785**
Surplus/(Deficit) b/fwd 1st April	**(449)**	**1,977**	**1,528**	**(2,992)**	**1,735**	**(1,257)**
Surplus/(Deficit) c/fwd 31st March	**3,567**	**2,386**	**5,953**	**(449)**	**1,977**	**1,528**

Non-Domestic Rates (NDR)

NDR is organised on a national basis. The Government specifies the rate poundage, and subject to the effects of transitional arrangements, the rates payable are calculated by multiplying the rateable values by the rate poundage. As at 31st March 2017, the total non-domestic rateable value of properties owned by the Council was £1.578m. The 2016/17 national non-domestic rate multiplier was 48.4p for small businesses and 49.7p for other businesses.

Calculation of Council tax base

Council tax income derives from charges raised according to the capital value of residential properties which have been classified into nine valuation bands, based on market values estimated at 1991 prices. In order to calculate the total yield from Council tax in a year, it is necessary to convert the number of dwellings in each band to an equivalent number of Band D dwellings. The tax base calculation is derived by first multiplying the estimated number of domestic properties in each tax band less exemptions by a weighting factor. This result is then reduced by a percentage to allow for losses on collection and reductions through appeals.

The calculation of the 2016/17 tax base is shown below:

2016/17			
Band	**Number of chargeable homes less exemptions and discounts**	**Factor**	**Band D equivalents**
A*	1	5/9	1
A	323	6/9	215
B	1,257	7/9	978
C	4,377	8/9	3,891
D	8,106	9/9	8,106
E	5,907	11/9	7,220
F	5,322	13/9	7,687
G	4,712	15/9	7,854
H	451	18/9	902
Total	**30,456**		**36,854**
New properties Band D equivalent			128
MOD properties			462
Less: allowance for non-collection			(554)
Council tax base			**36,890**

Collection rate assumed	**98.5%**

49. OTHER GROUP FINANCIAL STATEMENTS

49.1 General

These notes should be read in conjunction with the Accounting Policies used to prepare their Surrey Heath Borough council's accounts. Unless otherwise stated, the Group Financial Statements have been prepared on the same basis

49.2 Financial Year End

Surrey Heath Borough Council's financial statements are based on a financial year ended 31st March. The Subsidiary investment fund – The Main Square Camberley Unit trust and the subsidiary Company SHBC Camberley Limited prepare their financial statements to the 31st December each year. For the purpose of preparing the group financial statements the financial statements have been consolidated using different year end, adjusted as necessary to reflect any material transactions taking place between January and March.

49.3 Accounting Convention

The Financial statements of the subsidiary company and investment fund have been prepared in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including Financial reporting standard 102 "The Financial Reporting Standard applicable in the UK and republic Of Ireland".

50. GROUP COMPANY AND INVESTMENT FUND INFORMATION

50.1 SHBC Camberley Limited

Company Number	10437873
Date of Incorporation	20th October 2016
Director	Mrs Karen Whelan
Share capital	1 share of £1
Ownership	100% by Surrey Heath Borough Council
Profit/Loss	£223 since incorporation
Net Assets	£10,735
Purpose	To hold units in property investment trust to comply with Jersey Investment regulations

50.2 Main Square Camberley Unit Trust

Trust Type	Jersey Property Unit Trust
Date of creation	7th January 2005
Date of acquisition by SHBC	11th November 2016
Trustees	Camberley Trustee No 1 Ltd and Camberley Trustee No 2 Ltd
Immediate Parent Undertaking	Surrey Heath Borough Council
Ownership	Surrey Heath borough Council
Profit/Loss since acquisition	£816k profit
Net Assets	£98.453m at 31st December 2016
Purpose	To hold and invest in property

50.3 Group Movement in Reserves

	General fund balance £'000	Capital receipts reserves £'000	Capital grants unapplied £'000	JPUT reserve £'000	Total Usable reserves £'000	Unusable reserves £'000	Total Authority reserves £'000
Current Year							
Balance at 31st March 2016	(19,729)	(483)	(14)	0	(20,226)	(27,253)	(47,479)
Movement in Reserves during 2016/2017							
Total Comprehensive Income and Expenditure	(1,253)			(815)	(2,068)	9,309	7,241
Adjustments between accounting basis & funding basis under regulations (note 19)	(164)	332	0	0	168	(168)	0
Increase or Decrease in 2016/2017	(1,417)	332	0	(815)	(1,900)	9,141	7,241
Balance at 31 March 2017 carried forward	(21,146)	(151)	(14)	(815)	(22,126)	(18,112)	(40,238)

Comparative Year - restated							
Balance at 31 March 2015	(19,325)	(809)	(14)		(20,148)	(24,844)	(44,992)
Movement in Reserves during 2015/2016							
Total Comprehensive Income and Expenditure	3,970	0			3,970	(6,457)	(2,487)
Adjustments between accounting basis & funding basis under regulations (note 19)	(4,374)	326			(4,048)	4,048	0
Increase or Decrease in 2015/2016	(404)	326	0		(78)	(2,409)	(2,487)
Balance at 31 March 2016 carried forward	(19,729)	(483)	(14)		(20,226)	(27,253)	(47,479)

50.4 Group Comprehensive Income and Expenditure Statement

2016/2017				Restated 2015/2016		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
5,388	(4,388)	1,000	Business	4,425	(3,462)	963
6,702	(2,465)	4,237	Community	6,701	(2,531)	4,170
1,635	(265)	1,370	Corporate	1,512	(152)	1,360
18,610	(16,829)	1,781	Finance	19,013	(17,142)	1,871
1,072	(897)	175	Legal	730	(94)	636
3,569	(2,597)	972	Regulatory	3,471	(2,274)	1,197
920	(38)	882	Transformation	856	(23)	833
37,896	(27,479)	10,417	**Cost of Services**	36,708	(25,678)	11,030
		557	Other Operating expenditure (note 11)			525
		(2,994)	Financing and investment income and expenditure			(152)
		152	Amortisation of Goodwill on consolidation			0
		3,006	Other items not included in costs of services for reporting purposes			5,472
		(13,206)	Taxation and Non-specific Grant Income & Expenditure			(12,905)
		(2,068)	**(Surplus) or Deficit on Provision of Services**			3,970
		1,561	Surplus or deficit on revaluation of property, plant and equipment assets			2,392
		(71)	Surplus or deficit on revaluation of available for sale financial assets			161
		7,819	Remeasurement of the net defined benefit liability/(asset)			(9,010)
		9,309	**Other Comprehensive Income and Expenditure**			(6,457)
		7,241	**Total Comprehensive Income and Expenditure**			(2,487)

50.5 Group Balance Sheet

	Note		31st March 2017 £'000	31st March 2016 £'000
	SHBC	Group		
Property, plant & equipment				
Other land and buildings	23		40,580	43,625
Vehicles, plant and equipment	23		2,102	2,352
Infrastructure assets	23		43	53
Community assets	23		1,908	1,802
Surplus assets not held for sale	23		969	969
Assets under construction	23		610	40
Total property, plant & equipment			**46,212**	**48,841**
Intangible Assets - Goodwill		3	**7,446**	**0**
Heritage Assets	24		334	334
Investment property		4	143,158	26,825
Long term investments	46		4,054	9,962
Long term debtors		5	677	168
Long term assets			**201,881**	**86,130**
Short term investments	46		0	10,350
Inventories			92	51
Short term debtors		6	6,366	4,699
Cash and cash equivalents		7	10,095	8,030
Current assets			**16,553**	**23,130**
Short-term borrowing	46		(102,100)	(571)
Short term creditors		8	(18,421)	(11,430)
Provisions	34		0	(60)
Current liabilities			**(120,521)**	**(12,061)**
Long term creditors		9	(178)	(27)
NDR Provision for Appeals	34		(1,563)	(1,760)
Long-term borrowing	46		(16,860)	(17,403)
Other long term liabilities - Pensions	13		(39,074)	(30,530)
Long term liabilities			**(57,675)**	**(49,720)**
Net assets			**40,238**	**47,479**
Usable reserves			(22,126)	(20,226)
Unusable reserves			(18,112)	(27,253)
Total Reserves			**(40,238)**	**(47,479)**

51. GROUP CASH FLOW

	Note	2016/17 £'000	2015/16 £'000
Net (surplus) or deficit on the provision of services		(2,220)	3,970
Adjustments for Non-cash movements		4,234	(5,182)
Adjustments for items that are investing and financing activities		5,727	3,003
Net cash (inflows)/outflows from operating activities		**7,741**	**1,791**
Investing activities	36	96,101	21,842
Financing activities	37	(104,928)	(22,399)
Net (increase)/decrease in cash and cash equivalents		**(1,086)**	**1,234**
Cash and cash equivalents at the beginning of the reporting period		(8,030)	(9,264)
Movement in cash	**33**	**(9,116)**	**(8,030)**

52. GROUP FINANCIAL STATEMENTS – EXPLANATORY NOTES

52.1 General

These notes should be read in conjunction with the explanatory notes to Surrey Heath Borough Council's Financial Statements. Explanatory Notes have been provided only where the group financial statements differ from the Surrey Heath Borough Council financial statements.

52.2 Subsidiary Entities

The operating income and expenditure of the subsidiary entities has been included within Investment Property.

52.3 Tangible Assets

	2016/17 £'000	2015/16 £'000
Balance brought forward 1st April	**0**	**0**
Goodwill arising on Consolidation	7,598	
Amortised in year	(152)	
Balance carried forward 31st march	**7,446**	**0**

The Goodwill is being amortised over 50 years being the life of the underlying assets

52.4 Investment Properties

	2016/17 £'000	2015/16 £'000
Balance at start of the year	26,825	12,534
Purchases	119,307	15,823
Eliminated on consolidation	(3,577)	
Disposals	0	(205)
Transfers	0	1,201
Net gains/(losses) from fair value adjustments	603	(2,528)
Balance at end of the year	**143,158**	**26,825**

Financing and Investment Income and Expenditure	2016/17 £'000	2015/16 £'000
Interest payable and similar charges	934	472
Net interest on the defined benefit liability/(asset)	1,062	1,226
Interest receivable and similar	(1,081)	(608)
Income & Expenditure in relation to investment properties and changes in their fair value	(3,909)	1,286
Total	**(2,994)**	**2,376**

52.5 Long Term Debtors

Long Term Debtors	2016/17 £'000	2015/16 £'000
Charges on properties	166	168
Unamortised tenant and rent incentives	511	
Total	**677**	**168**

52.6 Short Term Debtors

Short Term Debtors	2016/17 £'000	2015/16 £'000
Central government bodies	862	1,245
Other local authorities	1,462	2,168
Sundry debtors	3,704	1,170
Other Entities and Individuals	1,285	1,196
	7,313	**5,779**
Allowance for bad debts	(947)	(1,080)
Total	**6,366**	**4,699**

52.7 Cash and Cash Equivalents

Cash and Cash Equivalents	2016/17 £'000	2015/16 £'000
Cash held by the Council	11	7
Bank current accounts	6,037	2,013
Short term deposits	4,047	6,010
Total cash and cash equivalents	**10,095**	**8,030**

52.8 Short Term Creditors

Creditors	2016/17 £'000	2015/16 £'000
Central government bodies	(5,666)	(3,053)
Other local authorities	(4,347)	(4,158)
Other entities and individuals	(8,408)	(4,219)
Total	**(18,421)**	**(11,430)**

52.9 Long Term Creditors

Long Term creditors	2016/17 £'000	2015/16 £'000
Financial liabilities carried at contract amount	47	27
Sundry Creditors	131	0
Total	**178**	**27**

52.10 Cash Flow Statement – Investing Activities

Cash Flow Statement - investing activities	2016/17 £'000	2015/16 £'000
Purchase of property, plant and equipment, investment property and intangible assets	116,895	17,730
Purchase of short term and long term investments	(16,258)	6,012
Other payments for investing activities	(4,536)	(1,597)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	0	(303)
Net cash flows from investing activities	**96,101**	**21,842**

52.11 Cash Flow Statement – Financing Activites

Cash Flow Statement - financing activities	2016/17 £'000	2015/16 £'000
Cash receipts of short and long term borrowing	(100,986)	(17,900)
Other receipts from financing activities	(3,942)	(4,499)
Net cash flows from financing activities	**(104,928)**	**(22,399)**

53. GENERAL GLOSSARY

Carrying amount - The amount at which an asset is recognised in the balance sheet after deducting any accumulated depreciation and impairment losses.

Cash - Comprises cash in hand and demand deposits.

Cash equivalents - Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Class of property, plant and equipment - Grouping of assets of a similar nature and used in the Council's operations.

Cost - The amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of acquisition or construction.

Costs to sell - The incremental costs directly attributable to the disposal of an asset (or disposal group), excluding finance costs.

Creditor - The money that the Council owes to third parties for goods and services it has received but not paid for at the end of the accounting period.

Current asset - An asset that is intended to be sold within the normal operating cycle. The asset is held primarily for the purpose of trading or the Council expects to realise the asset within 12 months after the reporting date.

Debtors - Financial assets not traded in an active market with fixed or determinable payments that are contractual rights to receive cash or cash equivalents.

Depreciable amount - The cost of an asset, or other amount substituted for cost, less residual value.

Depreciation - The systematic allocation of the depreciable amount of an asset over its useful life.

Employee benefits - All forms of consideration given by a Council in exchange for service rendered by employees.

Fair Value - The amount for which an asset could be exchanged between knowledgeable willing parties in an arm's-length transaction.

- For land and buildings: fair value is to be interpreted as the amount that would be paid for the asset in its existing use.
- For investment property: fair value is to be interpreted as the amount that would be paid for an asset in its highest and best value – i.e. market value.

Fair value less costs to sell - The amount obtainable from the sale of an asset, in an arm's-length transaction, between knowledgeable, willing parties, less costs of disposal.

Finance lease - A lease that transfers substantially all risks and rewards that are incidental to ownership of an asset. Title may or may not eventually be transferred.

Financing activities - Activities that result in changes in the size and composition of the principal received from or repaid to external providers of finance.

GLOSSARY OF TERMS

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

Historical cost - Deemed to be the carrying amount of an asset as at 1 April 2007 or at the date of acquisition, whichever date is the later, and adjusted for subsequent depreciation or impairment (if applicable).

Impairment loss - The amount by which the carrying amount of an asset exceeds its recoverable amount.

Investment property - Property (land or a building, or part of a building, or both) held solely to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes, or sale in the ordinary course of operations.

Investing activities - Acquisition and disposal of long-term assets and other investments not included in cash equivalents.

Lease - An arrangement whereby the lessor conveys to the lessee, in return for a payment or series of payments, the right to use an asset for an agreed period.

Non-current asset - An asset that does not meet the definition of a current asset.

Operating activities - Activities of the Council that are not investing or financing activities.

Operating lease - A lease other than a finance lease.

Other comprehensive income and expenditure - Comprises items of income and expense, including reclassification adjustments that are not recognised in the surplus or deficit on the provision of services as required or permitted by the code. Examples include changes in revaluation surplus, actuarial gains and losses on defined benefit plans and gains and losses on re-measuring available-for-sale financial assets.

Other long-term employee benefits - Employee benefits, other than post-employment benefits and termination benefits, which do not fall due wholly within 12 months after the end of the period in which the employees render the related service.

Property, plant and equipment - Tangible assets, i.e. assets with physical substance, that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and expected to be used during more than one period.

Reclassification adjustments - Amounts reclassified to surplus or deficit on the provision of services in the current period that were recognised in other comprehensive income and expenditure in the current or previous periods.

Recoverable amount - The higher of fair value less costs to sell (i.e. net selling price) and its value in use of an asset.

Residual value - The estimated amount that the Council would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and condition expected at the end of its useful life.

Short term employee benefits - Employee benefits (other than termination benefits) that fall due wholly within 12 months after the end of the period in which the employees render the related service.

Termination benefits - Employee benefits payable as a result of either: The Council's decision to terminate an employee's employment before the normal retirement date; or an employee's decision to accept voluntary redundancy in exchange for those benefits.
Useful life - The period which an asset is expected to be available for use by the Council.

Value in use - Of a non-cash-generating asset it is the present value of the asset's remaining service potential. Of a cash-generating asset it is the present value of the future cash flows expected to be derived from an asset.

54. EARMARKED RESERVES GLOSSARY

Earmarked Reserves - Earmarked reserves are a means of building up funds to meet known or predicted future requirements; although accounted for separately they remain legally part of the General Fund.

The Council has the following Earmarked Reserves:

- Capital Fund – this reserve is sourced from revenue to support capital expenditure.
- Affordable Housing - this fund is made up of contributions received from developers who are unable to provide affordable housing on the site of their development. The fund will enable the Council to provide affordable housing elsewhere.
- C. I. L. Admin and Monitoring – The reserve is to cover officer costs of monitoring the community infrastructure levy.
- Custom Build – This fund is set up form money from Central Government so that Planning Departments can produce and maintain the Brownfield Register and Self Build Registers required under legislation.
- Interest Equalisation – Contingency against future borrowing rate rises.
- One Public Estate – This money is awarded to Surrey Heath form the Governments One Public Estate programme to explore the possibilities around release of publicly owned land for residential development.

Atrium Public Art – This fund was set up to meet the on-going maintenance and insurance costs of the project.

Atrium S106 Agreement – This fund is made up of the developer contributions towards Town Centre Management Improvements as part of the Atrium Development legal agreement.

Blackwater Valley Developer's Contributions – This is a sum held to contribute towards the maintenance costs of the Blackwater Valley leisure projects. The balance includes miscellaneous contributions from developers.

Chewing Gum Machine – This fund was set up from S106 income, to fund the projected 8 year life of the machine to cover the running costs and replacement of the machine.

Chobham and Town Team Partnership – A fund, granted by the Department of Communities and Local Government (DCLG), is held on behalf of Chobham BEE (Chobham Better Experience for Everyone) for planning and implementing improvements to Chobham High Street.

Community Fund 2002 – This fund is to make grants to community based organisations. This fund also includes the environmental bursary, as the balance was transferred into the fund as per the Executive 2nd October 2007, minute 066/E refers.

Community Infrastructure Levy – This reserve holds balances relating to the timing differences between collection of the levy and the allocation of spending.

GLOSSARY OF TERMS

Commuted Sums – These funds are contributed by developers for the maintenance of open spaces and amenities.

Crime and Disorder Partnership – The Crime and Disorder Act 1999 required a partnership to be set up to improve community safety. This money will be used to fund the activities of mutual benefit to the whole partnership.

Deepcut Village Centre: Alma Dettingen – This is a sum held to contribute towards structural maintenance and the eventual refurbishment of this community facility.

Frimley Lodge Park 3G Pitch – Fund set up to meet the costs of replacing the playing surface as required.

Heatherside: Multi-Use Games Area – The Safer Surrey Heath partnership set aside £150,000 to fund a multi user games area in Surrey Heath. This is a facility where various ball games can be played in a safe environment.

Insurance Reserve Fund - this fund has been set aside for two reasons:

- in connection with the close of trading of the Municipal Mutual Insurance (MMI) and the potential contribution towards costs
- to deliver a risk management policy including risk management, business continuity and health and safety

Land Drainage – This fund finances the land drainage programme.

LLC Personal Search Revocation – This fund is to finance claims for refund of fees, paid by way of Personal Searches of the Land Charges Register from 2005 to August 2010. The settlement process is ongoing.

New Burdens Fund – Funding received from the DCLG in recognition of additional resources/works required by local authorities under the Localism Act.

Old Dean Toddlers Playground – This fund has been set up for the project from payments received from The Accent Foundation, Frimley Fuel Allotments, Beacon Church and parents support group for the installation of the playground and future maintenance.

Personalisation and Prevention Partnership – Funding provided by Surrey County Council (SCC) to enable the Council to invest in projects which through improved efficiency and increased income will benefit the older community.

Planning S106 Agreements – This fund reflects developer contributions collected to fulfil specific financial obligations contained in S106 Agreements and are to be used for specific projects and purposes as detailed in the Section 106 Agreements.

Planning Tariff Contributions – This fund reflects developer contributions collected via the Surrey Heath Developer Tariff Scheme for the provision of additional infrastructure projects in the borough in order to mitigate the impact of new development on local infrastructure.

Property Maintenance – This fund is used to finance the planned preventative maintenance programme for the Council's properties.

Recycling/Refuse Equalisation - This fund has been set up to mitigate the effect of any fall in prices for recycled materials in future years.

Remediation Fund – This fund is used to fund works to restore land following illegal occupation.

SANGS (Suitable Alternative Natural Green Space) - This fund was set up from developer contributions to fund the long term costs of mitigation for the Special Protection Areas (SPA). The Earmarked Reserve represents agreements for which the Council acts as the Principal. The Council also acts as Agent for 2 further SANGS agreements which are shown elsewhere in these Financial Statements.

Surrey Family Support Programme – This fund is used to finance the Troubled Families Project until 2020. It is funded by Surrey County Council using government grant funding.

Windle Valley Well Being Centre – This fund was used to provide support to people living in Surrey Heath who are in need of advice, information and assistance regarding memory problems, confusion and dementia.

55. PENSION GLOSSARY

Actuarial gains and losses - Comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has been actually incurred), and the effects of changes in actuarial assumptions.

Assets held by a long-term employee benefit fund - Assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the Council and exists solely to pay or fund employee benefits, and are available to be used only to pay or fund employee benefits, are not available to the Council's own creditors (even in bankruptcy), and cannot be returned to the Council, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the Council; or
- the assets are returned to the Council to reimburse it for employee benefits already paid.

Current service cost - The increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Defined benefit plan - Post-employment benefit plans other than defined contribution plans.

Defined contribution plans - Post-employment benefit plans under which the Council pays fixed contributions into a separate entity (a fund) and which have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Interest cost - The increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost - The increase in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service costs may be either positive (where benefits are introduced or improved) or negative (where existing benefits are reduced).

Plan assets - Comprise:

- assets held by a long-term employee benefit fund; and
- qualifying insurance policies.

Post-employment benefits - Employee benefits (other than termination benefits) which are payable after completion of employment.

Post-employment benefit plans - Formal or informal arrangements under which the Council provides post-employment benefits for one or more employees.

Present value of a defined benefit obligation - The present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

Qualifying insurance policy - An insurance policy issued by an insurer that is not a related party (as defined in IAS 24 related party disclosures) of the Council, if the proceeds of the policy:

- can be used only to pay or fund employee benefits under a defined benefit plan; and
- are not available to the Council's own creditors (even in bankruptcy) and cannot be paid to the Council, unless either the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations, or the proceeds are returned to the Council to reimburse it for employee benefits already paid.

Return on plan assets - Interest, dividends and other revenue derived from the plan assets, together with realised and unrealised gains and losses on the plan assets, less any costs of administering the plan and less any tax payable by the plan itself.

Vested employee benefits - Employee benefits which are not conditional on future employment.