



**Elmbridge**  
Borough Council  
*... bridging the communities ...*

# Statement of Accounts 2020/21 for the year ending 31 March 2021



## Summary of Financial Performance in the year

In the financial year to 31 March 2021, allowing for the impact of covid, the Council delivered its services within the approved budget of £17.6 million. This is in accordance with the Council's medium-term financial strategy, and robust financial management of the Council's services has enabled services to be provided within budget.

The Council's General Fund balance remains at £4 million as at 31 March 2021. The Council's financial health remains sound although there remains uncertainty over the impact of Covid on the Council's financial position in the medium term, and capacity will be needed to provide a firm financial foundation for the Council to deliver its services in what is a very challenging financial climate.

The short to medium term impact of the Covid-19 pandemic remains uncertain, and there continues to be some uncertainty over the impact of the United Kingdom leaving Europe. In addition, there remains a risk around both the timing and impact of the governments review of Business Rates Retention Scheme and the Fair Funding Review which form the basis of how the government allocate funding to Councils.

The Council has recognised in strategic terms that the local authority needs to reduce its dependency on Government revenue funding when public funds are so highly constrained, through modest increases in Council Tax, effective use of assets, increased income from property investments and Fees & Charges and retention of Business Rates, the clear message from Central Government is that Councils should fund local services with locally raised revenues.

## Financial Planning

The role of the Council's financial planning process is to support the achievement of the Council's Strategic Priorities and Corporate Plan. The main driver for the budget and savings options developed is the administration's desire to provide high quality services that are in line with Council priorities and residents needs at the least possible cost to Council Taxpayers.

The objectives of the Council's financial strategy are to:

- Prioritise resources to align spending plans with the Council's vision and strategic priorities
- Provide a robust framework to assist the decision-making process
- Maintain a balanced budget position, and to set a medium and long term financial plan maintaining and strengthening that position
- Continue to deliver value for money to our residents
- Exercise probity, prudence and strong financial control
- Manage risk, including strengthening reserves & levels of investment income
- Continually review budgets to ensure that resources are targeted on key priorities
- Reduce over reliance on reserves to provide services.

The Council has faced unprecedented challenges as a result of the pandemic, although having started in 2020/21, the impact will be far reaching and will continue into 2021/22 and future years. Managing the ongoing impact and the recovery for our businesses and residents is a key priority.

## Non-Financial Performance

In addition to the resident survey the Cabinet in June 2021 considered an overview of performance of the Council for 2020/21. The impact of covid, and the Councils response to, and its support to its residents, has resulted in resources being reallocated from enhancing and improving services to the response to Covid. As the impacts of Covid diminishes the Council will focus on those areas which were not completed during the pandemic.

## Budget and Actual Expenditure 2020/21

Budget proposals for 2020/21 were reported to Members through various Cabinet, Overview and Scrutiny Committees, Performance and Finance Panel and Council between September 2019 and February 2020, with the final budget being approved in February 2020.

The Council's approach to setting the budget involved detailed consideration of financial risk, so that this can be factored into budget decisions.

The 2020/21 Budget incorporated savings of £0.6 million. The main components of the budget for 2020/21, and how they compare with actual income and expenditure for the year are:

Portfolio	2019/20	2020/21			
	Actual £'000	Original Budget £'000	Actual £'000	Variance to Original Budget £'000	%
Community Development	308	330	300	(30)	(9)
Corporate Development	2,505	2,606	2,172	(434)	(17)
Environment and Economy	5,583	6,006	5,691	(315)	(5)
Highways and Transport	(1,160)	(1,488)	977	2,465	166
Housing	3,045	2,633	2,332	(301)	(11)
Leisure and Culture	5,490	5,681	5,344	(337)	(6)
Licensing	218	281	264	(17)	(6)
Resources	1,698	3,951	3,100	(851)	(22)
Social	3,292	3,504	3,561	57	2
Planning	2,224	2,507	2,452	(55)	(2)
Covid 19	0	-	2,107	2,107	-
	<b>23,203</b>	<b>26,011</b>	<b>28,300</b>	<b>2,289</b>	<b>9</b>
Depreciation Reversal	(4,578)	(4,239)	(4,239)	-	-
Interest on Balances	(1,175)	(1,100)	(1,011)	89	-
Covid 19 Grants	0	-	(5,064)	(5,064)	-
Contribution To/(from) Interest Equalisation Reserve	175	-	(89)	(89)	-
Investment Properties	(3,530)	(3,808)	(3,076)	732	19
Transfer from Council Tax Freeze Grant Reserve	(157)	(150)	(150)	-	-
Transfer from Business Rates Reserve	0	(817)	(817)	-	-
Transfer from Rent Risk Reserve	0	0	(350)	(350)	-
New Homes Bonus	(958)	(864)	(864)	-	-
Contribution to New Homes Bonus / Property Acquisition Reserve	844	864	864	-	-
To / (from) Earmarked Reserves	1,069	(5)	1,076	1,081	-
Capital Financing	2,775	2,798	2,795	(3)	0
	<b>17,668</b>	<b>18,690</b>	<b>17,375</b>	<b>(1,315)</b>	<b>7</b>

An analysis of the major variance between the actual and the approved budget in February 2020 is as follows:

	<b>£'000</b>
Operating Expenses (including employee related costs)	(2,050)
Net Cost of Covid 19	700
Investment Property Income (net of void provision)	380
Pension Contribution Savings	(100)
Housing Benefit Subsidy Loss & Overpayments	(220)

£1 million of the variance is earmarked to assist the Council in 2021/22 in mitigating the impact of Covid and the remaining balance will be used to fund an accelerated transformation programme to assist with the identification of sustainable budget savings.

Budgets are monitored on the following basis:

- i. Budget Managers and Heads of Service receive monthly monitoring reports so that they can take corrective action if necessary
- ii. Monthly - Departmental monitoring of all income and expenditure and a summary of pre-determined major budgets (particularly income streams) is reported to Council Management Board (CMB).
- iii. First and second quarters – The Cabinet receive a budget monitoring report by portfolio along with key financial indicators.
- iv. Third Quarter – A revised forecast for the year is produced and reported to CMB and Cabinet.
- v. Year end – The final accounts are produced.

Where major adverse variances are found, corrective action is taken to rectify the position during the year.

## Accounts for 2020/21

### The Statement of Accounts

The purpose of the Statement of Accounts is to give residents of Elmbridge, electors, those subject to locally levied taxes and charges, Members of the Council, employees and other interested parties clear information about the Council's finances. The format of the Statement of Accounts is governed by The Code of Practice on Local Authority Accounting in the United Kingdom, published by CIPFA (The Code). To make the document as useful as possible to its audience and so as to make meaningful comparisons between authorities the Code requires:

- All Statement of Accounts to reflect a common pattern of presentation, although at the same time not requiring them to be identical.
- Interpretation and explanation of the Statement of Accounts to be provided.
- The Statement of Accounts and supporting notes to be written in plain English.

The Council's Statement of Accounts for the year 2020/21 includes:

#### **The Statement of Responsibilities**

This outlines the responsibilities of the Council's and the Chief Finance Officer's responsibilities for the Statement of Accounts. It also carries the certification of the Chief Finance Officer (S151 Officer).

#### **The Audit Opinion and Certificate**

This is provided by Grant Thornton, the appointed auditor, following the completion of the annual audit in the following financial year.

### **The Statement of Accounting Policies**

This explains the basis for the recognition, measurement and disclosure of figures and events in the accounts and is intended to aid the reader's understanding of the accounts.

### **Annual Governance Statement (AGS)**

The AGS is not part of the accounts but shown alongside them. The statement sets out the main components of internal control and the governance framework within which the Council's internal control is managed and reviewed, including arrangements for internal audit. It also reports on significant weaknesses and areas for improvement identified and the actions taken to rectify or strengthen these areas. The statement is signed by the Chief Executive and the Leader of the Council.

## **Core Financial Statements**

### **The Movement in Reserves Statement**

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund specific items of expenditure or reduce local taxation) and other unusable reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement (CIES). These are different from the statutory amounts required to be charged to the General Fund Balance Account for Council Tax setting. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from Earmarked Reserves undertaken by the Council. In order to aid clarity, the Council had an element of the general reserve earmarked for specific uses, these have now been established as Earmarked Reserves.

### **The Comprehensive Income and Expenditure Statement**

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

## The Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority 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 may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority 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 accounting basis and funding basis under regulations'.

<b>31 March 2020</b>	<b>Balance Sheet Summary</b>	<b>31 March 2021</b>
<b>£'000</b>		<b>£'000</b>
212,788	Long Term Assets	218,388
89,012	Current Assets	86,079
(24,948)	Current Liabilities	(39,243)
(120,078)	Long Term Liabilities	(136,099)
<b>156,774</b>	<b>Net Assets</b>	<b>129,125</b>
	<u>Usable Reserves</u>	
4,000	General Fund	4,000
21,967	Earmarked Reserves	22,063
13,047	Community Infrastructure Levy (CIL)	19,713
	Collection Fund Support - Government Grants	20,585
17,828	Capital Receipts Reserve	16,949
18,533	Capital Grants Unapplied	17,947
<b>75,375</b>	<b>Total Usable Reserves</b>	<b>101,257</b>
81,399	Unusable Reserves	27,868
<b>156,774</b>	<b>Total Reserves (Net Worth)</b>	<b>129,125</b>

The Collection Fund Support – Government Grants reserve is a new reserve which had to be established as a consequence of governments regulations for accounting for business rates and the way in which grant support was given to Councils in relation to Covid. The reserve will be used to match deficits in the period 2021-2024 as a consequence of the complications of accounting for the collection of Business Rates and the interactions with both the Government and Surrey County Council

The Council's working capital ratio has decreased (current assets / current liabilities) at 31 March 2021 to 2.2 (3.6 at 31 March 2020). The working capital provides an indication of the Council's ability to pay its debts within one year. The higher the ratio, the more liquid the organisation. An organisation would normally anticipate a ratio higher than 1.0. The main reason for the decrease the decrease in Short Term Investments and Cash (£28m) which has been invested for longer periods than in 2019/20.

## The Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been

made for resources, which are intended to contribute to the Authority'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 Authority.

### **Notes to the Core Financial Statements**

These provide supporting and explanatory information on the Core Financial Statements.

### **The Collection Fund Statement**

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 Elmbridge as 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.

### **Material Assets and Liabilities**

There were no material Assets or Liabilities disclosed in the Statement of Accounts.

### **Pensions**

These Statements have been prepared in accordance with International Accounting Standard (IAS) 19 – Employee Benefits. The Balance Sheet shows a Pensions liability of £74.1 million, which reduces the total reserves of the Council by 36%. Further explanatory notes are provided in the Statement of Accounting Policies and in the notes to the Core Financial Statements.

### **Significant Changes in Accounting Policies and Requirements**

There have been no significant changes in Accounting Policies and requirements, affecting the Council Taxpayer, for 2020/21.

### **Borrowing and Cash Flow**

The Council has £54.7 million of borrowing outstanding at 31 March 2021 (£55.8 million – 31 March 2020) from the Public Works Loan Board (PWLB), with £1.1 million being repaid during 2020/21. No new borrowing was undertaken. In addition to the external borrowing there is £12 million of internal borrowing at 31 March 2021.

The Council has sufficient resources to fund its Capital programme but may decide to borrow based on interest rates and regulations. The Council is not allowed to borrow to fund revenue expenditure but has a balanced budget with its expenditure being financed from fees and charges, rental income from property holdings, government grants and Council Tax, although the grant from Central Government (Business Rates) is expected to significantly reduce over the medium-term.

## Capital Expenditure

During the year the following items of major capital works and purchases were undertaken:

<b>2019/20</b>		<b>2020/21</b>
<b>£'000</b>		<b>£'000</b>
1,781	Economic regeneration acquisitions	6,803
1,968	Grant Expenditure - CIL / ECIF / Other	1,341
912	Other Public Building Acquisition and Enhancements	624
153	Claygate Pavilion	537
67	Hersham Village Hall	526
951	Private Sector Housing Grants	459
1,260	Affordable Housing Grants / Loans	395
196	IT Development/Investment	290
557	Car Park Improvements	284
19	Barnet House	261
225	Weybridge Street Scape	220
70	Weybridge Hall flat conversion	137
69	Community Transport / Centre Enhancements	99
-	- Elmbridge Public Space CCTV upgrades	88
38	Other	86
132	Vehicles	46
585	Sports Hub, Waterside Drive	15
52	Playground Refurbishments / Tennis Courts	14
<b>9,035</b>	<b>Total</b>	<b>12,225</b>

The total capital receipts received in the year were £761,000.

The Council set its capital programme in February 2021 with spending plans being funded as follows:

	<b>Total Funds Available at</b>	<b>Budgeted Spend</b>
	<b>31 March 2021</b>	<b>2021/22</b>
	<b>£'000</b>	<b>£'000</b>
<b>Capital Receipts</b>	16,949	5,200
<b>Capital Grants</b>	17,947	8,230
<b>Revenue Resources</b>	2,239	2,239
<b>Borrowing*</b>	-	10,000
	<hr/> 37,135	<hr/> 25,669

\*Borrowing is subject to suitable investment/asset development opportunities being identified.

## **Significant Provisions or Contingencies and Material Write-Offs**

Except in relation to appeals against Business Rate Valuation, there have been no material provisions or write-offs made during the year. The revaluation exercise carried out for 1 April 2017 raised concerns in relation to outstanding appeals for the 2010 Valuation List for business rates. As a result, a specific provision was made for a number of large properties. In addition, a new process for challenging the 2017 valuations was introduced, which has increased the uncertainty relating to the appeals from the 2017/18 list. However, during 2020/21 there have been a significant number of appeals submitted as a result of the impact of Covid on the business, and while legislation is in progress to exclude appeals as a consequence of Covid, until that legislation is enacted the Council has made a provision for these appeals. In addition, a number of business have submitted successful backdated requests for business properties to be removed from the rating list (derelict), and as a result a provision has been made for these requests to continue. Overall the Council proportion of the provision is £6.8 million.

## **Economic Climate and impact of Covid**

In setting the 2020/21 budget there was still uncertainty about the ongoing impact on income streams such as car park income, council tax collection and planning fees, as a result of Covid and any impact from leaving the European Union. In February 2020 there was no indication that the country would be entering a lockdown as a consequence of the Covid-19 pandemic. The impact of Covid on the Council, from both its response and its foregone income received from fees and charges has been severe.

Robust governance arrangements were developed at the beginning of the pandemic, with clear reporting and escalation to ensure effective and swift decision-making in response to the pandemic. A process was put in place to capture and report all of the costs relating to Covid-19.

## **Climate Change**

The Council declared a climate change emergency in 2019, as a result work is currently under way to reduce the impact of the Council's activities on the environment. A detailed action plan has been prepared and the Council is working through the actions to reduce the Council's environmental impact. Any funding implications resulting from these action plans will need to be considered and agreed by Council.

## **The adequacy of balances and reserves to withstand future financial pressures**

The last few years has been particularly challenging for local government finances with continued reduction in government funding combined with an increase in costs. 2020/21 was a particularly difficult year due to the pandemic, with costs rising and income falling. Although the government support grants has helped the financial position for 2020/21, it continues to be challenging as to how we sustain services in the future and the ongoing impact of Covid. This is not helped by the fact that the finance settlement was for one year only. Despite this, collectively the Council has worked hard to ensure costs and income are managed effectively to achieve a balanced position.

The Council has faced unprecedented challenges as a result of the pandemic and continue to plan in terms of managing the ongoing impact of Covid ensuring sufficient reserves are held to withstand future financial pressures.

The Council maintains a level of General Fund balances to provide a measure of protection against risk. Without the protection provided by reserves, any unforeseen expenditure would have to be met either by increases in Council Tax or immediate savings (potentially through reductions in service levels and redundancies).

The Revenue Risk Reserve together with the Interest Equalisation Reserve are used to mitigate revenue budget risks and interest rate risks facing the Council during the year such as shortfall in income or increase in expenditure.

The Council is determined to address the financial challenges presented by the wider economic difficulties and stringent resource constraints by utilising focused risk management and by embracing all opportunities available to deliver more effective and efficient services for our community.

The forecast over the next two years (2022/23 and 2023/24) is that in order to have a balanced budget the Council will need to find savings of approximately £6 million based on the Medium Term Financial Strategy approved by Council in February 2021. The Council manages financial risk by maintaining adequate reserves to help ensure that the medium-term policy programme is sustainable, the 2021/22 Budget includes the use of £4.8 million of reserves, of which £2.4 million was to cover the estimated impact of Covid when setting the 2021/22 budget. As a result of the favourable outturn for 2020/21, the net reserves position at the end of March 2021 is better than what was predicted in February 2021. The forecast for the medium-term will be refreshed and reported to Members in September.

The impact of Covid-19 is far reaching and will no doubt have adverse financial implications for the Council. The Council will need to mitigate the impact with funding from central government, cautious use of reserves and organisational efficiencies. When reserves are utilised, plans will need to be put in place to replenish them.

## Organisational Overview and External Environment

Our Five-Year Vision (2018-2023) has been developed from extensive consultation with a range of stakeholders:

*“A responsive and effective Council, protecting and promoting the interests of residents and businesses and safeguarding our environment, while maintaining a community for all.”*

Our priorities support our Vision and are reviewed every year.

<b>Long term outcomes and priorities</b> <b>By 2023 we will have ...</b>					
<b>Covid-19 recovery</b>	<b>Council budgets</b>	<b>Climate change and a low carbon future</b>	<b>Housing affordability</b>	<b>Strategic representation and community leadership</b>	<b>The Elmbridge Local Plan</b>
Support the local economy by providing opportunities for young people to find work	Achieve a balanced revenue budget with only planned use of reserves and balances	Deliver on the initial elements of the Carbon Management and Reduction Action Plan working towards the 2030 Council target	Continue to prioritise the delivery of more affordable housing, especially through the activities of EBC Homes Ltd	Provide strategic representation and community leadership for our residents when dealing with major developments, infrastructure schemes and emergencies including the River Thames scheme, Heathrow expansion and similar scale proposals	Submit and progress the final stages towards the adoption of a new Local Plan for the Borough

Design, support and deliver services to enable residents to restore and maintain their physical capabilities and reduce individual loneliness and isolation	Secure financial resilience by rebuilding the general fund reserves to meet general risks and specific pressures to ensure that our resilience as an organisation grows despite an increasingly volatile and uncertain external environment		Commission high level capacity studies on Council owned sites	Commission a feasibility study for master planning the Lower Green area	
Improve our digital services to support easier interaction with our community online				Implement the Elmbridge Connects Strategy to bring together an existing older and vulnerable peoples services	
Support local businesses and high streets to manage the impact of the pandemic and recover the longer term					

## Operational Models

The Council uses a number of operating models to transform its inputs into key services and outcomes. The main operating models are:

- the provision of services model – these services are provided at a net cost to the Council and must be provided under statute, such as Planning Services;
- the contribution to services model – some services within the Council contribute to other services and reduce the Council Tax requirement, these include off-street car parking and investment properties;
- the breakeven model – some services are required by statute to have no impact on the Council Tax, such as taxi licensing;
- the Building Control Mutualisation where Elmbridge Building Control Services Limited provides the Council’s building control services and in which the Council owns a 20% stake;
- the on-street car parking model – on-Street Car Parking is a function of SCC and the Council agree to operate the service on their behalf, realising synergies with the off-street parking service, the service has a zero-net cost to the Council; and
- the Joint Waste Partnership model – the Council partners with other Surrey Districts in order to realise efficiencies in providing the Waste Collection service.
- In order to increase the number of affordable housing units the Council Established two wholly owned companies, EBC Investments Ltd and EBC Homes Ltd.

## Capital Strategy 2021 to 2041

The Capital Strategy demonstrates that the Council takes capital investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability in the long-term context.

The Capital Strategy draws together existing good practice within the Council into a single document and outlines limits on the use of capital receipts to approximately £750,000 per annum and not to exceed £2 million in any rolling three-year period. The guidance also states that the balance of capital receipts shall be not less than £5 million and held as a contingency against unforeseen capital expenditure.

The Capital Strategy analyses the demand for capital expenditure and the predicted availability of capital resources to identify the gap between demand and available resources to inform decision making.

The Capital Strategy was approved in February 2021 and is available on the Council's website.

## **Risks and Opportunities**

### **Risks**

The Council's Risk Management Strategy requires the Corporate Strategic Risk Register to be reviewed on an annual basis. The Register contains details of major identified risks, which could affect the Council's ability to achieve its priorities during the financial year. The top three risks identified are:

- Failure to address the ongoing revenue funding gap identified in the Council's medium-term financial strategy
- Continuing financial uncertainty both in terms of increased expenditure and reduced income caused by the pandemic which the Council will have to account for in future budget
- Fluctuations in the property market affecting rental income generated from the Council's property portfolio

For more information on identified risks please see the Council's Strategic Risk Register.

### **Opportunities**

The Council carefully monitors any future opportunities that may assist in delivering optimal outcomes and improve service provision. Significant future opportunities include:

- Digitalisation and modernisation of working practices
- Agile, flexible and remote working arrangements
- Work with the County Council and other Districts & Boroughs on the Local Government Reorganisation and devolution as outlined in the white paper.
- Purchasing land and property which facilitates regeneration and has the potential for residential development to meet the Council's priority to provide more Affordable Housing
- To further develop joint working and collaboration within Surrey, as part of the One Public Estates Programme.
- Pursuing a prevention agenda that focuses on empowering individuals and communities to engage in healthy behaviours to reduce their risk of developing chronic diseases, and so relieving pressures on public spending.
- Promoting independent living and reduce isolation.

### **Pandemic (Covid-19)**

#### **Principal issues that have affected service provision**

The financial consequences of the current pandemic are especially severe for district councils. The financial impact is made up of increased or additional COVID response costs and the impact from the loss of income from fees, charges and rents.

The response to the Pandemic emergency by the Council was rapid and effective. In the emergency phase the organisation moved quickly to meet the challenges by protecting our most vulnerable resident, while continuing the normal services provided by the Council.

- The Meals on Wheels service was extended to include additional at-risk groups with Welfare Calls, and food parcels to those at risk and/or shielding.
- The Council paid £45 million in grants to Businesses in 2020/21 to provide support during Covid. For £40 million of these grants the Council acted as agents for government (they were allocated according to government instructions), the balance of £5 million the Council acted as the principal (the grants paid were based on specific schemes prepared by the Council within broad guidelines set out by the government)
- Additional accommodation was provided for the homeless and rough sleepers
- Maintained core services including waste collection and grounds maintenance.
- Maintained processing speeds for new Benefit claimants.
- Reducing the business rates payable by applying reliefs to eligible businesses in the Retail, Hospitality and Leisure sectors.
- Providing financial support to the Leisure Centre contractor during the lockdown and beyond until activity levels recover.

A visual illustration of the Council’s support is shown below:

## Supporting the community during COVID



### Changes to the council’s workforce

The Council initiated its Business and Civil emergency plans which included plans for mass absence from the Councils premises. As a consequence, there was minimal disruption to service delivery.

A team from across the Council was redeployed to focus on welfare activities.

### Operation of its supply chains

The Council employs a number of contractors and suppliers, and as part of the selection process a Business Continuity plan is an essential component. All of the Councils supply chain responded well to the pandemic, with only a minimal impact on service delivery, and in some cases an improvement on service standards. The one exception was the initial shortage of PPE, which was a countywide issue rather than a supply chain issue for the Council.

## **Covid Impact on Finances**

At the Council meeting in February 2021 it was agreed that an action plan would be presented by the end of the calendar year which would set out how the Council will achieve a balanced budget over the medium term, eliminate the reliance on the use of the Councils reserves, and provide further detail on how the reserves will be replenished to existing pre-covid levels and to provide reassurance in relation to the Councils response to a future emergency.

An updated Medium-Term Financial Strategy will be considered by the Council in September 2021 based on the current financial forecast and information from Central Government of any proposed ongoing financial support.

## **Risks**

There continues to be an ongoing risk of Covid-19 and the potential Service and Financial impact this would have on the Council.

There is still a considerable level of uncertainty regarding the ongoing value of government support to the Council, however unless the government fully funds the additional costs and the loss of income, the Council will need to balance its 2021/22 position by the use of reserves and additional savings.

The Council is incurring additional costs in delivering its emergency response to the Covid-19 emergency and this may continue. It is difficult to project a final value as this will largely be determined by the government's roadmap and any further restrictions that may be required. The extent of the residual measures that are left in place when the lock-down is lifted, the confidence of the country to return to pre-covid behaviour, and changes in working practices will likely have an ongoing impact on the Councils revenue income and expenditure.

The financial position around the Council's response to the Covid-19 emergency continues to be closely and regularly monitored. Ministry of Housing Communities and Local Government (MHCLG) has issued a financial template to all Councils to collect their net additional cost of dealing with Covid-19 and projected loss of income due to this crisis. While the government have provided support to the Council for its loss of income (approximately 70%) we have been notified that this will end at the end of June with the Council having to use reserves and savings to mitigate any further losses of income.

The Councils Capital programme includes the utilisation of Capital resources to fund the expenditure, a review of the Capital programme is underway, and it is likely that there will continue to be slippage in the 2021/22 programme as a result of the delay in the roadmap. The quantum of available capital funding is unlikely to be significantly affected, but the ability to deliver the programme in the timescale anticipated even in February 2021 is likely to be impacted.

## **Looking ahead**

Despite the pandemic, the Council is making progress enabling us to deliver quality services and value for money for Elmbridge residents now and in the future. We will bring forward plans and budgets which are sustainable by ensuring that we are as effective and efficient as possible by strengthening our digitalisation, agile working initiatives so that we can continue to deliver our vision and priorities.



**Elmbridge**  
Borough Council  
*... bridging the communities ...*

# Statement of Accounts Year Ended 31 March 2021



## Contents

## Page No.

Statement of Responsibilities	1
Independent Auditor's Report to Members of Elmbridge Borough Council	2
<b>Core Financial Statements</b>	
Movement in Reserves Statement	8
Comprehensive Income and Expenditure Statement (CIES)	9
Balance Sheet	10
Cash Flow Statement	11
Notes to the Core Financial Statements	12
Collection Fund Income and Expenditure Account	70
Notes to the Collection Fund Income and Expenditure Account	71
Glossary of Terms	73
Abbreviations	76
Annual Governance Statement	78

## Statement of Responsibilities

### The Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, the responsibility of Chief Financial Officer is allocated to the S151 Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

### Approved by Council

The Audited Statement of Accounts will be approved at a meeting of the Audit & Standards Committee on 10 November 2021.

**Councillor Coomes**  
**Chair of Audit & Standards Committee**  
**10 November 2021**

## Responsibilities of S151 Officer as Chief Financial Officer

The S151 Officer is 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 S151 Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgments and estimates that were reasonable and prudent; and
- complied with the Code of Practice.

The S151 Officer has also:

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

## Certificate of Chief Financial Officer

I hereby certify that the Statement of Accounts presents a true and fair view of the financial position and the income and expenditure of the Council for the year ended 31 March 2021. I can also confirm that the Statement of Accounts complies with the requirements of the Accounts and Audit Regulations 2015.

**Sarah Selvanathan**  
**Strategic Director & Deputy Chief Executive (S 151 Officer).**  
**Date Issued: 10 November 2021 (audited Version)**

# Independent auditor's report to the members of Elmbridge Borough Council

## Report on the Audit of the Financial Statements

### Opinion on financial statements

We have audited the financial statements of Elmbridge Borough Council (the 'Authority') for the year ended 31 March 2021, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement Income and Expenditure Account and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2021 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Strategic Director and Deputy Chief Executive's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

In our evaluation of the Strategic Director and Deputy Chief Executive's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Strategic Director and Deputy Chief Executive's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Strategic Director and Deputy Chief Executive's with respect to going concern are described in the 'Responsibilities of the Authority, Strategic Director and Deputy Chief Executive's and Those Charged with Governance for the financial statements' section of this report.

### **Other information**

The Strategic Director and Deputy Chief Executive is responsible for the other information. The other information comprises the information included in the in the Statement of Accounts, the Narrative Report, the Annual Governance Statement other than the financial statements, and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### **Other information we are required to report on by exception under the Code of Audit Practice**

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

### **Opinion on other matters required by the Code of Audit Practice**

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

### **Responsibilities of the Authority, the Strategic Director and Deputy Chief Executive and Those Charged with Governance for the financial statements**

As explained in the Statement of Responsibilities set out on page 1, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Strategic Director and Deputy Chief Executive. The Strategic Director and Deputy Chief Executive is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Strategic Director and Deputy Chief Executive determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Strategic Director and Deputy Chief Executive is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit & Standards Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant, which are directly relevant to specific assertions in

the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003.

- We enquired of senior officers and the Audit & Standards Committee, concerning the Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Audit & Standards Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls, fraudulent revenue recognition and fraudulent expenditure recognition.
- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that the Strategic Director and Deputy Chief Executive has in place to prevent and detect fraud;
  - journal entry testing, with a focus with a focus on unusual journals made during the year and the accounts production stage for appropriateness and corroboration;
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings, investment property and defined benefit pensions liability valuations; and
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the local government sector
  - understanding of the legal and regulatory requirements specific to the Authority including:
    - the provisions of the applicable legislation
    - guidance issued by CIPFA/LASAAC and SOLACE
    - the applicable statutory provisions.

- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Authority’s operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - the Authority’s control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

**Report on other legal and regulatory requirements – the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources**

**Matter on which we are required to report by exception – the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources**

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

Our work on the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority’s arrangements in our Auditor’s Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor’s report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2021.

**Responsibilities of the Authority**

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

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021. This guidance sets out the arrangements that fall within the scope of ‘proper arrangements’. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor’s Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

## **Report on other legal and regulatory requirements – Delay in certification of completion of the audit**

We cannot formally conclude the audit and issue an audit certificate for Elmbridge Borough Council for the year ended 31 March 2021 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report'
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2021.

We are satisfied that this work does not have a material effect on the financial statements.

### **Use of our report**

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

John Paul Cuttle, Key Audit Partner  
for and on behalf of Grant Thornton UK LLP, Local Auditor

London  
12 November 2021

## Movement in Reserves Statement

2019/20	General Fund Reserve £'000	Earmarked Revenue Reserves £'000	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
<b>Balance at 31 March 2019 carried forward</b>	4,000	30,254	<b>34,254</b>	20,450	17,519	<b>72,223</b>	74,776	<b>146,999</b>
<b>Movement in reserves during 2019/20</b>								
Total Comprehensive Income and Expenditure	(9,452)	4,760	<b>(4,692)</b>			<b>(4,692)</b>	14,467	<b>9,775</b>
Adjustments between accounting basis and funding basis under regulation (Note 7)	9,452	-	<b>9,452</b>	<b>(2,622)</b>	<b>1,014</b>	<b>7,844</b>	<b>(7,844)</b>	
<b>Increase (Decrease) in 2019/20</b>	<b>-</b>	<b>4,760</b>	<b>4,760</b>	<b>(2,622)</b>	<b>1,014</b>	<b>3,152</b>	<b>6,623</b>	<b>9,775</b>
<b>Balance at 31 March 2020 carried forward</b>	<b>4,000</b>	<b>35,014</b>	<b>39,014</b>	<b>17,828</b>	<b>18,533</b>	<b>75,375</b>	<b>81,399</b>	<b>156,774</b>

2020/21	General Fund Reserve £'000	Earmarked Revenue Reserves £'000	Collection Fund Support Government Grants £'000	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
<b>Balance at 31 March 2020 brought forward</b>	4,000	35,014	-	<b>39,014</b>	17,828	18,533	<b>75,375</b>	81,399	<b>156,774</b>
<b>Movement in reserves during 2020/21</b>									
Total Comprehensive Income and Expenditure	(33,232)	6,762	20,585	<b>(5,885)</b>			<b>(5,885)</b>	(21,764)	<b>(27,649)</b>
Adjustments between accounting basis and funding basis under regulation (Note 7)	33,232			<b>33,232</b>	<b>(879)</b>	<b>(586)</b>	<b>31,767</b>	<b>(31,767)</b>	
<b>Increase (Decrease) in 2020/21</b>	<b>-</b>	<b>6,762</b>	<b>20,585</b>	<b>27,347</b>	<b>(879)</b>	<b>(586)</b>	<b>25,882</b>	<b>(53,531)</b>	<b>(27,649)</b>
<b>Balance at 31 March 2021 carried forward</b>	<b>4,000</b>	<b>41,776</b>	<b>20,585</b>	<b>66,361</b>	<b>16,949</b>	<b>17,947</b>	<b>101,257</b>	<b>27,868</b>	<b>129,125</b>

The movement in reserves statement shows the position at the 31 March 2021 for the movements between reserves in accordance with the requirements of the Code of Practice. Detailed analysis of the movement in Earmarked Reserves is found in Note 8 to the Statement of Accounts.

## Comprehensive Income and Expenditure Statement (CIES)

2019/20			N o t e	2020/21		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure / (Income) £'000
<b>Service Expenditure</b>						
489	96	393		461	94	367
2,698	36	2,662		2,335	21	2,314
7,401	1,546	5,855		7,346	1,628	5,718
4,575	4,392	183		9,447	1,807	7,640
44,112	38,291	5,821		39,575	36,292	3,283
7,320	1,094	6,226		6,762	1,065	5,697
652	318	334		599	276	323
3,745	2,434	1,311		3,651	2,117	1,534
5,666	1,669	3,997		5,338	1,264	4,074
7,339	10,269	(2,930)		6,388	9,170	(2,782)
				7,558	284	7,274
<b>83,997</b>	<b>60,145</b>	<b>23,852</b>		<b>89,460</b>	<b>54,018</b>	<b>35,442</b>
52	1	51	9	49	3	46
	390	(390)			709	(709)
11,220	7,742	3,478	10	8,602	7,080	1,522
24,265	46,564	(22,299)	11	43,870	74,286	(30,416)
<b>119,534</b>	<b>114,842</b>	<b>4,692</b>		<b>141,981</b>	<b>136,096</b>	<b>5,885</b>
		(6,906)	24.2			8,961
		(7,561)	40.2			12,803
		<b>(14,467)</b>				<b>21,764</b>
		<b>(9,775)</b>				<b>27,649</b>

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

The Council transferred its housing stock to the Elmbridge Housing Trust in 2000. The agreement between the Council and the Elmbridge Housing Trust required that a proportion of the proceeds derived from the sale of the council houses transferred to the Trust under Right to Buy arrangements would in future years be passed to Elmbridge Borough Council. In 2020/21 £563,000, after taking account of the cost of sales, was due to be paid to the Council. The Council also receives receipts in relation to staircasing, where the tenant wishes to increase their proportion of ownership of a property. In 2020/21 £146,000 was received in relation to staircasing. The income can only be used to finance capital expenditure, or repay debt, and has been transferred to the Capital Receipts Reserve

## Balance Sheet as at 31 March 2021

2019/20 £'000		Notes	2020/21 £'000
113,578	Property Plant & Equipment	12	96,504
1,424	Heritage Assets	13	1,424
88,486	Investment Properties	14	92,641
918	Intangible Assets	15	993
7,236	Long Term Investments	16	25,463
1,146	Long Term Debtors		1,363
212,788	<b>Long Term Assets</b>		<b>218,388</b>
55,242	Short Term Investments	16	25,032
58	Inventories		38
7,943	Short Term Debtors	18	33,649
25,769	Cash and Cash Equivalents	19	27,360
89,012	<b>Current Assets</b>		<b>86,079</b>
(23,835)	Short Term Creditors	21.1	(38,118)
(1,113)	Short Term Loans	21.2	(1,125)
(24,948)	<b>Current Liabilities</b>		<b>(39,243)</b>
(63,031)	Net Liability Arising from the Defined Benefit Obligation	40	(74,114)
(2,357)	Provisions	39	(8,419)
(54,690)	Long Term Borrowing	43.2	(53,566)
(120,078)	<b>Long Term Liabilities</b>		<b>(136,099)</b>
156,774	<b>Net Assets</b>		<b>129,125</b>
75,375	Useable Reserves	23	101,257
81,399	Unusable Reserves	24	27,868
156,774	<b>Total Reserves</b>		<b>129,125</b>

The balance sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held 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 or other limitations on their use (for example the Capital Receipts Reserve may 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 accounting basis and funding basis under regulations'.

## Cash Flow Statement

2019/20		Notes	2020/21
£'000			£'000
4,690	Net (surplus) / deficit on the provision of services		5,885
(26,799)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	25.1	(33,912)
6,725	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	25.2	2,869
<b>(15,384)</b>	<b>Net cash flows from operating Activities</b>		<b>(25,158)</b>
8,728	Investing Activities	26	(1,771)
2,243	Financing Activities	27	25,338
(4,413)	Net (increase) / decrease in cash and cash equivalents		(1,591)
(21,356)	Cash and cash equivalents at the beginning of the reporting period		(25,769)
<b>(25,769)</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	19	<b>(27,360)</b>

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 flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation 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.

There is no significant change in cash and cash equivalents at 31 March 2021 compared with the previous year.

## Notes to the Core Financial Statements

### 1. Accounting Policies

#### 1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position at the year-end of 31 March 2021. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which Regulations require to be prepared in accordance with proper accounting practices. These regulations were further amended by The Accounts and Audit (Amendment) Regulations 2021 stipulating that the accounts to be issued to the 31 July and the publication of the Audited Accounts to the 30 September. These practices, under Section 21 of 2003 Act, primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and the Service Reporting Code of Practice 2020/21, 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. The accounts have been prepared on a going concern basis. This assumes that the Council, its functions and services will continue in operational existence for the foreseeable future.

#### 1.2 Accruals of Income and Expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

#### 1.3 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 specified period, no more than one month or less from the date of the balance sheet 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 repayable on demand and form an integral part of the Council's cash management.

## 1.4 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

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

## 1.5 Charges to Revenue for Non-Current Assets

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

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

The Council cannot raise Council Tax to fund depreciation, revaluations, impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudential basis determined by the Council in accordance with statutory guidance.

Depreciation, revaluations, impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance Minimum Revenue Provision (MRP) by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between them.

## 1.6 Council Tax and Non-Domestic Rates

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

### Accounting for Council Tax and NDR

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

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

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Taxation and Non-Specific Grant line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

## 1.7 Employee Benefits

### Benefits Payable During Employment

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

### Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis, to the appropriate service segment line in the CIES, at the earlier of when the authority can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

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

### Post-Employment Benefits

Employees of the Council are members of the Local Government Pension Scheme, administered by Surrey County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The Local Government Pension Scheme is accounted for as a defined benefits scheme. The liabilities of the Surrey Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a Corporate Bond yield curve constructed using the constituents of the iBoxx AA corporate bond index. This is then adjusted to reflect the 'term' of the benefit.

The assets of the Surrey Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:

- quoted securities – current bid price;
- unquoted securities – professional estimate;
- unitised securities – current bid price; and
- property – market value.

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

### Service cost comprising:

- current service cost – the increase in liabilities as a result of years of service earned this year, allocated in the CIES to the services for which the employees worked.
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years, debited to the Surplus or Deficit on the Provision of Services in the CIES as part of the service segments; net interest on the net defined benefit liability, i.e. net interest expense for the authority – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the CIES – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

### Re-measurements comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve as Other Comprehensive Income and Expenditure; and
- Contributions paid to the Surrey Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities to the extent not accounted for as an expense.

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

## **Discretionary Benefits**

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

## **1.8 Events after the Reporting Period**

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

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

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

## 1.9 Financial Instruments

### Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the CIES for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For the borrowing that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

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

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid.

The reconciliation of amounts charged to the CIES to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

### Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI) [separate accounting policy is required where an authority holds financial instruments at fair value through other comprehensive income]

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (ie where the cash flows do not take the form of a basic debt instrument).

### Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

### **Expected Credit Loss Model**

The authority recognises expected credit losses on all of its financial assets held at amortised cost [or where relevant FVOCI], either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

### **1.10 Government Grants and Contributions**

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

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

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

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

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

### **1.11 Community Infrastructure Levy (CIL)**

The Council has elected to charge a CIL. The Levy is charged on new builds with appropriate planning consent. This Council charges for and collects the levy, a planning charge. The Council raises and collects the levy and the income from this planning charge is used to fund infrastructure projects to support the development of the area.

CIL is received without outstanding conditions and is recognised in the CIES.

Any unallocated CIL at the end of the financial year is held as an earmarked revenue reserve. When CIL Grants are awarded, depending on the nature of the expenditure it is awarded for, the funds are moved to the appropriate classification on the Council's Balance Sheet e.g. Capital Grants Unapplied, Creditors or Receipts in Advance.

## 1.12 Heritage Assets & Memorials

### Heritage Assets

The carrying amounts of heritage assets are reviewed where there is evidence of impairment, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to authenticity. The Authority's heritage assets are accounted for in accordance with the nature of the asset and the relevant accounting policy.

### Memorials

The Council is responsible for a number of memorials in the Borough. These memorials, while having significant value to the community, have no resale value and are not used for any operational purpose. The memorials are reflected in the balance sheet at replacement cost and are not depreciated on the basis they have indeterminate lives and are fully maintained.

## 1.13 Intangible Assets

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

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset.

Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of the website is capitalised because the website is not solely or primarily intended to promote or advertise the Council's goods or services, as it also includes facilities for web-based payments.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the CIES. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the CIES. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the CIES.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

## 1.14 Interests in Companies and Other Entities

The Council has no material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities and has no requirement to prepare group accounts. However, in August 2015 the Council established a mutual for the Building Control Service in which it owns 20% of the share equity with the balance being owned by the employees of the mutual.

## Interest in Companies and Other entities

The authority has a material interest (100% owned) in EBC Investments Ltd that have the nature of a subsidiary, it may require it to prepare group accounts at a later date. In the authority's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses. The company became operational in January 2019 with the first accounting year ending on 31 March 2020, the nature and value of the transactions were not material in either 2019/20 or 2020/21.

### 1.15 Inventories and Long-Term Contracts

Inventories are valued at the latest price paid, with an appropriate allowance made for obsolescent and slow-moving items. This is a departure from the requirements of The Code of Practice on Local Authority Accounting, which require stocks to be shown at the lower of cost or net realisable value, if lower. The effect of the difference in treatment is not material.

Long-term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

### 1.16 Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the CIES. The same treatment is applied to gains and losses on disposal.

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

### 1.17 Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

## **The Council as Lessee**

### **Finance Leases**

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the CIES).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

### **Operating Leases**

Rentals paid under operating leases are charged to the CIES as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

## **The Council as Lessor**

### **Finance Leases**

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

Lease rentals receivable are apportioned between:

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

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

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

## **Operating Leases**

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

### **1.18 Overheads and Support Services**

The costs of overheads and support services are charged to service segments in accordance with the authority's arrangements for accountability and financial performance.

### **1.19 Property, Plant and Equipment**

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment. For accounting purposes, the Council has a de-minimis level of £10,000.

## **Recognition**

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

## **Measurement**

Assets are initially measured at cost, comprising:

- the purchase price;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

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

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure and community assets– depreciated historical cost;
- assets under construction – historical cost;
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant’s perspective; and
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, Depreciated Replacement Cost (DRC) is used as an estimate of current value.

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

Assets included in the Balance Sheet at current value are revalued according to the following revaluation programme. This is considered to be sufficiently regularly to ensure that the carrying amounts are not materially different from the fair values at the year-end:

- Annually – Civic Centre / Car Parks / Xcel Leisure Centre / Sports Hub.
- Every 3 years – Walton Town Centre / Cemetery Houses / Albermarle House
- Every 5 years – All other asset groups.

Asset revaluations are phased to ensure that at least 70% of the total asset value is revalued every year.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.

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

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

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

## Impairment

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

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

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

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

## Depreciation

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

Depreciation is calculated on the following basis:

- other buildings, plant, furniture and equipment and infrastructure – straight-line allocation over the useful life of the property as estimated by the valuer, or the estimated useful life of the other assets;
- vehicles – reducing balance - a percentage of the value of each vehicle, as advised by a suitably qualified officer; and

Where an item of property, plant and equipment asset has major components whose values are significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

## Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. It is then carried at the lower of this amount and fair value less costs to sell. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating expenditure in the CIES. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on assets held for sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale, is written off to the Other Operating Expenditure in the CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CIES also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The balance of receipts remains within the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the authority's underlying need to borrow. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing.

## **1.20 Provisions, Contingent Liabilities and Contingent Assets**

### **Provisions**

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

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

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

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

### **Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Council a possible obligation 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 also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably.

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

## **1.21 Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to be included the Surplus or Deficit on the Provision of Services in the CIES. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant notes to the accounts.

From 1 April 2013 the Authority has elected to charge a 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 the provision, improvement, replacement, operation or maintenance of infrastructure projects (these include transport, flood defences and schools) 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 CIES in accordance with the accounting policy for reserves set out above. CIL charges will be largely used to fund capital expenditure. However, they may also be used to fund revenue expenditure. Once a decision has been made on how the funds will be allocated the revenue reserve is transferred to the appropriate part of the balance sheet (Capital Grants, Short Term Creditors or Earmarked Reserves).

## **1.22 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 CIES in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

## **1.23 Value Added Tax**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

## **1.24 Fair Value Measurement**

The authority measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings [other financial instruments as applicable] at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the value techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

- **Level 1** – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date
- **Level 2** – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- **Level 3** – unobservable inputs for the asset or liability.

## **2. Exceptional Item**

There are no exceptional items for 2020/21. The costs and impacts of the Councils response to Covid have been included in both the Income and Expenditure Account and the impacts shown on the Balance Sheet.

## **3. Accounting Standards that have been issued but have not yet been adopted**

Changes to accounting standards which may subsequently apply to the 2020/21 financial year and that are relevant to the Council's statements of accounts are:

- *Definition of a Business: Amendments to IFRS 3 Business Combinations*
- *Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7*
- *Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7*

Based on the position at 31 March 2021 there would be no material impact on the Council's 2020/21 accounts and estimating the future impact would be impracticable.

## **4. Critical Judgements in applying Accounting Policies**

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements 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 to provide an indication that the assets of the Council might be impaired as a result of a need to lose facilities and reduce levels of service provision.

## **5. Assumptions made about the future and other major sources of estimation uncertainty**

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

The general nationwide statement of market uncertainty for the valuations at 31 March 2021 has been lifted by the RICS. For all the main asset groups (other than hospitality), RICS states it is up to the valuer to discuss uncertainty with the client. If it is agreed that an asset is subject to 'material uncertainty' the reasons need to be clearly stated within the valuation report.

The external valuer has not applied a statement of material uncertainty explicitly to the EBC investment assets. This is because there is market evidence available for the main asset classes, albeit limited for some asset groups (e.g. land, children's nurseries), so the valuers have been able to arrive at a reasoned valuation, combined with useful asset management input. For general asset valuations the valuers advise more frequent valuations, particularly for assets affected by 'waves' of Covid-19 restrictions (e.g. hospitality uses – hotels, pubs) or for high value assets which could be severely impacted by local travel restrictions (e.g. shopping centres).

The items in the Council's Balance Sheet at 31 March 2021 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	<p>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.</p> <p>The periodic revaluation of Land and Building assets are subject to complex valuation techniques undertaken by professional valuers based on certain assumptions at the time the valuations are undertaken which may change over the passage of time.</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £195,000 for every year that useful lives had to be reduced.</p> <p>Of the total value of the Councils Operational Land &amp; Buildings £74.2 million was revalued at 1 April 20 and Investment Properties totalling £92.6 million at 31 March 2021. These values are material and the sources of estimation uncertainty as they require complex valuation techniques, use of indices, comparison with values of alternative sites etc. It is reasonably possible, based on existing knowledge, that outcomes within the next financial year may be based on different assumptions to the current year and could result in material adjustment to their carrying amount.</p>
Investment Properties	The effect of Covid-19 on investment property values as at 31 March 2021.	<p>Movements in value are charged to the CI&amp;E account but are reversed out under regulation and held in unusable reserves and have no impact on taxation or usable resources. Without undertaking another valuation exercise at a real cost to the taxpayer it is not possible to estimate the amount of any difference.</p> <p>The effect of a 5% change in the carrying value of investment properties would equate to a +/- change in the value by £4.6 million.</p>

Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements 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.</p> <p>The actuary has disclosed a material valuation uncertainty with respect to pooled property investments and private equity investments held within the pension fund's assets. However, the valuations represent the best estimate at the current time.</p>	<p>The effects on the net pensions 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 £18 million. However, the assumptions interact in complex ways. A 1-year increase in member life expectancy would increase the liability by £8 million. Similarly, a 0.5% increase in the salary rate or in the pension increase rate would increase the liability by £1 million and £18 million respectively.</p>
Impairment Losses on Debtors	<p>Estimation of the impairment losses on debtors from all debtors.</p>	<p>The effect of Covid-19 on both individuals and business to pay debts is uncertain, an additional allowance has been included in the impairment losses. If the allowance for impairments changes by 10% the cost would be an additional £0.9million. At 31 March 2020 the carrying value of the bad debt provision was £2,629,000.</p>
Provision for Appeals Business Rates	<p>Estimation of the likelihood of successful appeals against the valuations calculated by the Valuation Office</p>	<p>The effect of a 1% (currently an allowance of 2% of the rateable value) change in the assumption for appeals against the 2017 valuations would result in a £2.0 million change in the provision, of which Elmbridge's provision would change by £0.8 million.</p>

## 6. Events after the Reporting Period

The issued Statement of Accounts was authorised for issue by the Strategic Director & Deputy Chief Executive on 28 July 2021. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## 7. 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.

2019/20	Usable Reserves			Unusable Reserves
	General Fund	Capital Receipts	Capital Grants	
	Balance	Reserve	Unapplied	
	£'000	£'000	£'000	£'000
<b>Adjustments to Revenue Resources</b>				
<i>Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:</i>				
Pensions costs (transferred to (or from) the Pensions reserve)	(3,106)			3,106
Council tax and NDR (transfers to (or from) Collection Fund Adjustment Account)	852			(852)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the CAA)	(1,606)		(5,079)	6,685
<b>Adjustments between Revenue and Capital Resources</b>				
Transfer of non-current sale proceeds from revenue to the Capital Receipts Reserve	390	(390)		-
Statutory provision for the repayment of debt (transfer from the CAA)	1,407			(1,407)
Capital Expenditure financed from revenue balances (transfer to the CAA)	761			(761)
<b>Adjustments to Capital Resources</b>				
Use of the Capital Receipts Reserve to finance capital expenditure		3,186		(3,186)
Application of capital grants to finance capital expenditure	1,023		4,065	(5,088)
Cash payments in relation to deferred capital receipts		(174)		174
<b>Other</b>				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	180			(180)
Revenue expenditure funded from capital under Statute	(4,196)			4,196
Movements in the market value of Investment Properties	(5,157)			5,157
<b>Total Adjustments</b>	<b>(9,452)</b>	<b>2,622</b>	<b>(1,014)</b>	<b>7,844</b>

2020/21	Usable Reserves			Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
	£'000	£'000	£'000	
<b>Adjustments to Revenue Resources</b>				
<i>Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:</i>				
Pensions costs (transferred to (or from) the Pensions reserve)	(1,469)			1,469
Council tax and NDR (transfers to (or from) Collection Fund Adjustment Account)	(22,085)			22,085
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the CAA)	(9,106)		(1,936)	11,042
<b>Adjustments between Revenue and Capital Resources</b>				
Transfer of non-current sale proceeds from revenue to the Capital Receipts Reserve	709	(709)		-
Statutory provision for the repayment of debt (transfer from the CAA)	1,453			(1,453)
Capital Expenditure financed from revenue balances (transfer to the CAA)	1,595			(1,595)
<b>Adjustments to Capital Resources</b>				
Use of the Capital Receipts Reserve to finance capital expenditure		1,640		(1,640)
Application of capital grants to finance capital expenditure	468		2,522	(2,990)
Cash payments in relation to deferred capital receipts		(52)		52
<b>Other</b>				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	269			(269)
Revenue expenditure funded from capital under Statute	(2,212)			2,212
Movements in the market value of Investment Properties	(2,854)			2,854
<b>Total Adjustments</b>	<b>(33,232)</b>	<b>879</b>	<b>586</b>	<b>31,767</b>

## 8. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from earmarked revenue reserves to provide financing for the future expenditure plans and the amounts posted back from earmarked reserves to meet expenditure in 2021/22.

	Note	Balance at	Transfers In	Transfers Out	Balance at	Transfers In	Transfers Out	Balance at
		31 March 2019			31 March 2020			31 March 2021
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revenue Contingency & Rent Risk Reserve	a	1,575	-	-	1,575		(350)	1,225
Strategic Reserve (LABGI)	b	701	-	-	701		(182)	519
Corporate Restructure - Initiatives	c	419	-	-	419			419
Capital Expenditure and Repairs & Maintenance	d	762	100	(244)	618	100	(9)	709
Investment Properties - Maintenance (Sinking Fund)	e	200	200	-	400			400
Performance Reward (LPSA)	f	247	-	(64)	183		(31)	152
Grant Equalisation Reserve	g	1,000	-	(157)	843		(150)	693
Interest Equalisation	h	578	175	-	753		(89)	664
Approved Carry Forward Requests	i	662	470	(420)	712	672	(470)	914
Car parking Maintenance	j	338	150	(55)	433	150	(79)	504
New Homes Bonus Reserve	k	802	366	(165)	1,003	432	(250)	1,185
New Homes Bonus Reserve - Enabling Fund	l	498	113	(8)	603	85		688
Elmbridge Civic Improvement Fund	m	436	-	(69)	367	124	(88)	403
Community Safety	n	385	-	(56)	329		(137)	192
Service Specific	o	821	63	(27)	857	88	(7)	938
Housing Reforms	p	885	12	(295)	602		(5)	597
Planning Delivery Grant	q	103	-	-	103		(9)	94
Property Acquisition Reserve	r	1,405	366	-	1,771	347	(803)	1,315
Business Rate Equalisation Reserve	s	6,112	244	(320)	6,036		(817)	5,219
Business Rate Pilot Infrastructure Feasibility studies	t	400	-	-	400			400
Planning Related Receipts (S106, SANGS and Tariffs)	u	2,385	450	(4)	2,831	364		3,195
Land Charges	v	263	-	(67)	196		(105)	91
Insurance	w	232	-	-	232			232
Covid Mitigation Reserve	x					1,000		1,000
Transformation Programme Reserve	y					315		315
<b>Total Earmarked Revenue Reserves (Excluding CIL)</b>		<b>21,209</b>	<b>2,709</b>	<b>(1,951)</b>	<b>21,967</b>	<b>3,677</b>	<b>(3,581)</b>	<b>22,063</b>

	Note	31 March 2019	Transfers In	Transfers Out	31 March 2020	Transfers In	Transfers Out	31 March 2021
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Total Earmarked Revenue Reserves (Excluding CIL)</b>		<b>21,209</b>	<b>2,709</b>	<b>(1,951)</b>	<b>21,967</b>	<b>3,677</b>	<b>(3,581)</b>	<b>22,063</b>
Community Infrastructure Levy (CIL)	CIL1	6,070	4,541	(3,845)	6,766	1,104	(135)	7,735
Community Infrastructure Levy (Strategic Infrastructure and Maintenance Projects)	CIL2	2,975	3,916	(610)	6,281	5,987	(290)	11,978
<b>Total Earmarked Revenue Reserves (Including CIL)</b>		<b>30,254</b>	<b>11,166</b>	<b>(6,406)</b>	<b>35,014</b>	<b>10,768</b>	<b>(4,006)</b>	<b>41,776</b>
<b>Collection Fund Support - Government Grants</b>	<b>CF</b>				<b>0</b>	<b>20,585</b>		<b>20,585</b>

## Notes to Earmarked Reserves

Notes	
a	To meet current and future contingency requirement and the revenue budget risks facing the authority. It will provide cover for rental income if it falls below the level assumed in the MTFS.
b	Fund received for growth in Business Rates used to reinvest in business related improvements, hanging baskets and Christmas lights.
c	To meet staffing costs arising from Council reorganisations or restructures.
d	Revenue sums held to finance capital expenditure and to deal with emergency repairs and maintenance and dilapidation costs to council owned property.
e	A reserve established to provide for maintenance on the Councils Investment Properties, from the property rental income.
f	Local Public Service Agreement funds used to fund projects of a one-off nature.
g	Established to mitigate the effect of the time limited funding relating to freezing council tax from central government.
h	Set aside to protect the authority's annual budget in the event of in-year or between-year fluctuations in investment returns.
i	To finance items included of a one-off nature where budget provision has been made, but the expenditure will be incurred in the following financial year.
j	Established by allocating 5% of the income stream from "Off-Street" car parking to provide funding for the ongoing maintenance of the Council's car parks.
k	A reserve established from New Homes Bonus funding, received to provide incentives and rewards for Councils and Communities to build homes in their area, mainly used to fund capital project.
l	Funds set aside from New Homes Bonus to assist with the provision of affordable housing.
m	Elmbridge Civic Improvement Fund (ECIF), money set aside to fund the improvement, enhancement of local businesses and regeneration of the borough.
n	Funds provided by the Home Office and held in respect of Crime and Disorder initiatives.
o	Funds principally held in respect of bequests and donations to support the ongoing provision and maintenance of Centres for the Community, the ongoing maintenance of graves and other specific receipts.
p	Established to protect the Council's revenue accounts during the period of transition to Universal Credit and changes resulting from Welfare Reform.
q	Reserve established from a planning delivery grant. Fully committed to fund part of the costs associated with the preparation of the Local Plan.
r	To use in the purchase of Investment Property Assets to provide increased revenue rental streams. Funding for the year was transferred from the New Homes Bonus Reserve.
s	Net surplus arising from the Business Rates Retention Scheme retained by the Council to offset any future deficits attributable to the Council.
t	To fund infrastructure feasibility studies as a result of the agreement for the Council being a member of the Business Rate Surrey Pilot.
u	Receipts held as a result of the approval of planning consent, the funding must be used in accordance with the planning agreement.
v	Established for Land Charges surplus income, which may be used to fund deficits arising for those services in future years in accordance with legislative requirements.
w	Held in respect of future payments required for self-insurance / premium excess payments.
X	Reserve Established to mitigate the impact of Covid on the 2021/22 revenue budget.
Y	Reserve established to assist with the Councils transformation programme to deliver sustainable budget savings.
CIL1	Community Infrastructure Receipts held to meet future infrastructure requirements as outlined in the Community Infrastructure Levy Regulations and subsequent amendments.
CIL 2	Community Infrastructure Receipts earmarked for Strategic Infrastructure and Maintenance Projects
CF	Funding provided by government in relation to the Collection Fund, £12 million is in relation to the extended retail relief given during 2020/21 to businesses. The closing balance of £1.1 million will be credited to revenue to match the deficits on Council Tax and Business rates for 2020/21 which will be charged against the collection funds over the next two year (2022/23 and 2023/24) as a consequence of the requirement to spread the deficit on these accounts over three years (2021-2024)

## 9. Other Operating Expenditure

2019/20	2020/21
£'000	£'000
2 (Gains)/losses on the disposal of non-current assets	(3)
49 Other	49
<b>51 Total</b>	<b>46</b>

## 10. Financing and Investment Income and Expenditure

2019/20	2020/21
£'000	£'000
1,367 Interest payable and similar charges	1,341
1,641 Net interest on the net defined benefit liability	1,413
(1,157) Interest receivable and similar income	(1,010)
1,627 Income and expenditure in relation to investment properties and changes in their fair value	(222)
<b>3,478 Total</b>	<b>1,522</b>

## 11. Taxation and Non-Specific Grant Income and Expenditure

2019/20	2020/21		
Net Income	Gross Expenditure	Gross Income	Net Income
£'000	£'000	£'000	£'000
(14,396) Council Tax income		(14,695)	(14,695)
(2,244) Non Domestic Rates	25,426	(12,648)	12,778
(2,991) Non-ringfenced government grants	18,444	(44,444)	(26,000)
(2,668) Capital grants and contributions		(2,499)	(2,499)
<b>(22,299) Total</b>	<b>43,870</b>	<b>(74,286)</b>	<b>(30,416)</b>

The government paid a number of grants paid to the Council as a result of the Councils response to Covid, these grants are classed, by statute as grants which should be shown in the Taxation line of the Councils Income and Expenditure Statement, and are classified as non-ringfenced government grants.

2019/20 Net Income £'000	Non Ringfenced Government Grants		2020/21	
	Gross Expenditure £'000	Gross Income £'000	Net Income £'000	
			Gross Income £'000	Net Income £'000
			(2,533)	(2,533)
			(2,531)	(2,531)
	18,444		(28,791)	(10,347)
			(1,620)	(1,620)
			(5,124)	(5,124)
(2,991)			(3,845)	(3,845)
<b>(2,991)</b>	<b>18,444</b>		<b>(44,444)</b>	<b>(26,000)</b>

The additional income for Business Rate reliefs as a result of Covid was all paid to the Council. However, the Council will then pay Central Government and Surrey County Council for their proportions of these grants in 2021/22.

The Council paid £45 million in grants to Businesses in 2020/21 to provide support during Covid. For £40 million of these grants the Council acted just as an agent for government (they were allocated according to government instructions), the balance of £5 million the Council acted as the principal (the grants paid were based on specific schemes prepared by the Council within broad guidelines set out by the government)

The grant for compensation for the loss of income was for specific services where the income was below the approved budget as a result of Covid, after allowing for a 5% initial loss based on the approved budget for the year, the government provided support for 75% of the lost income on certain categories. An analysis of the income by portfolio is as follows:

Analysis of Government Grant - Compensation for Income Lost as a result of Covid	2020/21		
	Gross Income From Income and Expenditure Account £'000	Grant Income £'000	Income if the Grant had been Allocated to Portfolios £'000
Community Development	(94)		(94)
Corporate Development	(21)		(21)
Environment	(1,628)		(1,628)
Highways and Transport	(1,807)	(1,779)	(3,586)
Housing	(36,292)		(36,292)
Leisure and Culture	(1,065)	(335)	(1,400)
Licensing	(276)		(276)
Resources	(2,118)	(35)	(2,153)
Social	(1,264)	(311)	(1,575)
Planning	(9,170)	(71)	(9,241)
Covid	(284)		(284)
<b>Total</b>	<b>(54,019)</b>	<b>(2,531)</b>	<b>(56,550)</b>

The figures above exclude £190,000 of grant income for On Street car parking where we act as an agent for Surrey County Council, that income has been allocated to the service and will be paid to Surrey County Council as part of the agency arrangements.

## 12. Property, Plant and Equipment

The table analyses the movements on property, plant and equipment by asset class.

Movements in 2019/20	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
<b>Cost or Valuation</b>							
At 1 April 2019	102,785	14,670	893	479	3,985	521	123,333
Additions	1,603	615	-	-	-	721	2,939
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	4,536	-	-	-	-	-	4,536
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,297)	-	-	-	-	-	(2,297)
Derecognition - disposals	(572)	(231)	-	-	-	-	(803)
Assets reclassified (to)/from Held for Sale/Investment Properties	-	-	-	-	-	-	-
Other movements in cost or valuation	-	-	-	-	-	-	-
<b>At 31 March 2020</b>	<b>106,055</b>	<b>15,054</b>	<b>893</b>	<b>479</b>	<b>3,985</b>	<b>1,242</b>	<b>127,708</b>
<b>Accumulated Depreciation and Impairment</b>							
At 1 April 2019	(4,881)	(7,627)	(444)	(71)	(177)	-	(13,200)
Depreciation charge	(2,326)	(1,652)	(23)	(5)	(95)	-	(4,101)
Depreciation written out to the Revaluation Reserve	2,370	-	-	-	-	-	2,370
Impairment (losses)/reversals recognised in the Revaluation Reserve	-	-	-	-	-	-	-
Impairment (losses)/reversals recognised in the Surplus/ Deficit on the Provision of Services	-	-	-	-	-	-	-
Derecognition - disposals	570	231	-	-	-	-	801
Other movements in depreciation and impairment	-	-	-	-	-	-	-
<b>At 31 March 2020</b>	<b>(4,267)</b>	<b>(9,048)</b>	<b>(467)</b>	<b>(76)</b>	<b>(272)</b>	<b>-</b>	<b>(14,130)</b>
<b>Net Book Value</b>							
<b>At 31 March 2020</b>	<b>101,788</b>	<b>6,006</b>	<b>426</b>	<b>403</b>	<b>3,713</b>	<b>1,242</b>	<b>113,578</b>
<b>At 31 March 2019</b>	<b>97,904</b>	<b>7,043</b>	<b>449</b>	<b>408</b>	<b>3,808</b>	<b>521</b>	<b>110,133</b>

<b>Movements in 2020/21</b>	<b>Other Land and Buildings £'000</b>	<b>Vehicles, Plant, Furniture &amp; Equipment £'000</b>	<b>Infrastructure Assets £'000</b>	<b>Community Assets £'000</b>	<b>Surplus Assets £'000</b>	<b>Assets Under Construction £'000</b>	<b>Total Property, Plant and Equipment £'000</b>
<b>Cost or Valuation</b>							
At 1 April 2020	106,055	15,054	893	479	3,985	1,242	127,708
Additions	1,734	303				876	2,913
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(12,423)						(12,423)
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(6,914)						(6,914)
Derecognition - disposals		(23)	-	-		-	(23)
Assets reclassified (to)/from Held for Sale/Investment Properties	-	-	-	-	-	-	-
Other movements in cost or valuation	344	(25)	-	-		(527)	(208)
<b>At 31 March 2021</b>	<b>88,796</b>	<b>15,309</b>	<b>893</b>	<b>479</b>	<b>3,985</b>	<b>1,591</b>	<b>111,053</b>
<b>Accumulated Depreciation and Impairment</b>							
At 1 April 2020	(4,267)	(9,048)	(467)	(76)	(272)	-	(14,130)
Depreciation charge	(2,449)	(1,332)	(24)	(5)	(94)	-	(3,904)
Depreciation written out to the Revaluation Reserve	3,462						3,462
Impairment (losses)/reversals recognised in the Revaluation Reserve	-	-	-	-	-	-	-
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-
Derecognition - disposals	(2)	25	-	-	-	-	23
Other movements in depreciation and impairment	-	-	-	-	-	-	-
<b>At 31 March 2021</b>	<b>(3,256)</b>	<b>(10,355)</b>	<b>(491)</b>	<b>(81)</b>	<b>(366)</b>	<b>-</b>	<b>(14,549)</b>
<b>Net Book Value</b>							
<b>At 31 March 2021</b>	<b>85,540</b>	<b>4,954</b>	<b>402</b>	<b>398</b>	<b>3,619</b>	<b>1,591</b>	<b>96,504</b>
<b>At 31 March 2020</b>	<b>101,788</b>	<b>6,006</b>	<b>426</b>	<b>403</b>	<b>3,713</b>	<b>1,242</b>	<b>113,578</b>

## Revaluation and Depreciation

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment and buildings under construction are not subject to revaluation on the grounds of materiality. Historic cost is used as a proxy for current value.

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

- Land and Buildings – straight line, 1 to 80 years.
- Vehicles – reducing balance, 33% or 55% of carrying amount.
- Plant, Furniture and Equipment – straight line, 5 to 50 years.

In 2020/21 the following groups of properties were re-valued at 1 April as part of the rolling programme and/or the remaining useful lives assigned to them were changed. These changes have had the overall financial effect of reducing the total annual depreciation for other land and buildings however, by regulation depreciation has no effect on taxation.

<b>RICS Registered Valuer</b>	<b>Asset Group</b>	<b>Change to useful Life in years</b>
Stuart La Frenais MRICS for and on behalf of Elmbridge Borough Council	Car Parks	No Change
Andrew Collins MRICS and Paul Watling MRICS for and on behalf of G L Hearn	Xcel Leisure Centre	No Change
	Walton Sports Hub	No Change
	Civic Centre	No Change
	Heart Shopping Centre	N/A – Land only
	Cemetery Houses	No Change
	Community Centres	No Change
	River Mole Business Park	No Change
Jonathan Rhodes MRICS on behalf of Cluttons LLP	Lower Green Community Centre	Increased from 23 to 80 years
Andrew Wilcock MA MRICS for and on behalf of Brunton Knowles LLP	Investment Properties	N/A - Not depreciated

Following completion of the rebuilding of Claygate Pavilion, and refurbishment of Hersham Village Hall revaluations were undertaken for both these properties. The April 2021 valuation of Car Parks identified a reduction of £17.5 million due to the significant downturn in car park income during 2020/21 as a result of Covid 19 and there was an increase of £1.2 million in the valuation of Hurst Pool.

These revaluations have been reflected in the 2020/21 accounts.

The following table breaks down the property, plant and equipment portfolio valuation over the years in which the valuations were made:

	Other Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total £'000
Carried at historical cost	2,056	15,309	893	402	-	1,591	20,251
Valued at fair value as at:							
31 March 2021	74,226						74,226
31 March 2020	5,577	-	-	-	-	-	5,577
31 March 2019	3,364	-	-			-	3,364
31 March 2018	2,886	-	-		2,213	-	5,099
31 March 2017	687	-	-	77	1,772	-	2,536
<b>Total Cost or Valuation</b>	<b>88,796</b>	<b>15,309</b>	<b>893</b>	<b>479</b>	<b>3,985</b>	<b>1,591</b>	<b>111,053</b>

### 13. Heritage Assets

There has been no revaluation, impairment or disposal of Heritage Assets during either 2020/21 or 2019/20. The assets held at the 31 March are categorised as shown below:

2019/20 £'000	2020/21 £'000
816 War Memorials	816
520 Museum Artefacts & Civic Regalia	520
64 Heritage Marker	64
24 Xcel Art	24
<b>1,424 Total Heritage Assets</b>	<b>1,424</b>

## 14. Investment Properties

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the CIES. The decrease in income is due to voids and rent-free periods due to Covid-19. The increase in expenditure is due to the increased costs of void properties, including Business Rates and the Council incurring the proportion of the management costs relating to the void properties.

2019/20		2020/21
£'000		£'000
4,137	Rental income from investment property	3,938
(607)	Direct operating expenses arising from investment property	(862)
3,530	Net income	3,076
(5,157)	Net losses from fair value adjustments	(2,854)
<b>(1,627)</b>	<b>Net gain/(loss)</b>	<b>222</b>

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 income and the proceeds of disposal. The Council has no material contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancement. All the Councils investment properties fair value measurements are based on other significant observable inputs. The Office Units and Commercial properties are measured using the investment method of valuation, assessing the passing rent and market rent by comparison to other transactions, and capitalising the income stream at an appropriate yield to reflect the key investment characteristics of the property.

Due to Covid-19 a caveat was included by the Council's external valuers in all the valuations undertaken as at 31 March 2020 to state that they were reported on the basis of 'material valuation uncertainty'.

The general nationwide statement of market uncertainty for the valuations at 31 March 2021 has been lifted by the RICS. For all the main asset groups (other than hospitality), RICS states it is up to the valuer to discuss uncertainty with the client. If it is agreed that an asset is subject to 'material uncertainty' the reasons need to be clearly stated within the valuation report.

The external valuer has not applied a statement of material uncertainty explicitly to the EBC investment assets. This is because there is market evidence available for the main asset classes, albeit limited for some asset groups (e.g. land, children's nurseries), so the valuers have been able to arrive at a reasoned valuation, combined with useful asset management input. For general asset valuations the valuers advise more frequent valuations, particularly for assets affected by 'waves' of Covid-19 restrictions (e.g. hospitality uses – hotels, pubs) or for high value assets which could be severely impacted by local travel restrictions (e.g. shopping centres).

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

<b>2019/20</b>	<b>2020/21</b>
<b>£'000</b>	<b>£'000</b>
<b>91,862</b> Balance at start of the year	<b>88,486</b>
Additions:	
1,781 Purchases	6,846
(5,157) Net losses from fair value adjustments	(2,854)
Transfers:	
- (To)/from Property, Plant and Equipment	163
- (To)/from Surplus Assets Awaiting Disposal	-
<b>88,486</b> Balance at end of the year	<b>92,641</b>

The investment property portfolio consists of £18.1 million of Office Buildings, £62.1 million of Industrial/Retail Premises (Commercial), £7.4 million of Residential and £5 million of other sites.

## 15. Intangible Assets

The Council accounts for its software as intangible assets. All software is attributed a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to the major software suites used by the Council is 10 years. The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £223,723 charged to revenue in 2020/21 was charged to the Information Systems Service and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading. The movement of Intangible Asset balances during the year is as follows:

<b>2019/20</b>	<b>2020/21</b>
<b>£'000</b>	<b>£'000</b>
<b>Balance at start of year:</b>	
3,928 Gross carrying amounts	4,047
(2,845) Accumulated amortisation	(3,129)
<b>1,083</b> Net carrying amount at start of year	<b>918</b>
<b>Additions:</b>	
119 Purchases	254
- Other disposals	-
(284) Amortisation for the period	(224)
- Other changes	45
<b>918</b> Net carrying amount at end of year	<b>993</b>
Comprising:	
4,047 Gross carrying amounts	4,346
(3,129) Accumulated amortisation	(3,353)
<b>918</b>	<b>993</b>

## 16. Financial Instruments

### Categories of Financial Instruments

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

2019/20			2020/21	
Non-current £'000	Current £'000		Non-current £'000	Current £'000
		<b>Financial assets at amortised cost</b>		
7,236	55,242	Investments *	25,463	25,032
1,146	30,388	Debtors ^	1,167	37,016
<b>8,382</b>	<b>85,630</b>	<b>Total financial assets</b>	<b>26,630</b>	<b>62,048</b>
		<b>Financial liabilities at amortised cost</b>		
54,690	1,113	Borrowing	53,565	1,124
-	14,049	Creditors	-	33,491
<b>54,690</b>	<b>15,162</b>	<b>Total financial liabilities</b>	<b>53,565</b>	<b>34,615</b>

\* Figures for investments include interest accrued but not yet received

^ Analysis of the cash & cash equivalent financial instrument balances included within Debtors, appears at Note 19.

### Income, Expense, Gains and Losses

2019/20				2020/21		
Financial Liabilities measured at amortised cost £'000	Financial Assets measured at amortised cost £'000	Total £'000		Financial Liabilities measured at amortised cost £'000	Financial Assets measured at amortised cost £'000	Total £'000
1,367	-	1,367	Interest expense	1,341	-	1,341
-	749	749	Impairment losses	-	183	183
<b>1,367</b>	<b>749</b>	<b>2,116</b>	<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>1,341</b>	<b>183</b>	<b>1,524</b>
-	(1,175)	(1,175)	Interest income	-	(1,011)	(1,011)
<b>-</b>	<b>(1,175)</b>	<b>(1,175)</b>	<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>-</b>	<b>(1,011)</b>	<b>(1,011)</b>
<b>1,367</b>	<b>(426)</b>	<b>941</b>	<b>Net (gain)/loss for the year</b>	<b>1,341</b>	<b>(828)</b>	<b>513</b>

### Fair Value of Assets and Liabilities

Financial assets and liabilities represented by investments, non-current debtors and creditors are carried in the Balance Sheet at amortised cost. The authority has no assets or liabilities designated at 'Fair value through profit or loss' or 'Fair value through other comprehensive income'. Their fair values are assessed on the basis of other significant observable inputs (Level 2 in the fair value hierarchy) by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Estimated ranges of interest at 31 March 2021 of 1.01% to 2.19% applies to loans from PWLB, and 0.00% to 1.91% for loans receivable (investments) based on new lending rates for equivalent loans at that date;
- no early repayment or impairment is recognised;
- where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value; and
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

Fair values are calculated as follows, the Council holds no Level 1 or Level 3 financial instruments:

2019/20			2020/21			
Carrying amount	Fair value	of which: Level 2	Financial liabilities at amortised cost	Carrying amount	Fair value	of which: Level 2
£'000	£'000	£'000		£'000	£'000	£'000
15,162	15,162	15,162	Current liabilities	34,615	34,615	34,615
54,690	55,235	55,235	Non-current liabilities	53,565	58,860	58,860

The fair value of non-current liabilities is higher than the carrying amount because the rate payable on the Council's PWLB loans is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2021) arising from a commitment to pay interest to lenders above current market rates.

2019/20			2020/21			
Carrying amount	Fair value	of which: Level 2	Financial assets at amortised cost	Carrying amount	Fair value	of which: Level 2
£'000	£'000	£'000		£'000	£'000	£'000
85,630	85,630	85,630	Current assets	62,048	62,048	62,048
8,382	8,515	8,515	Non-current assets	26,630	27,765	27,765

The fair value of the non-current assets is higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2021) attributable to the commitment to receive interest above current market rates.

Current debtors and creditors are carried at cost, as this is a fair approximation of their value.

## 17. Construction Contracts

At 31 March 2020 and at 31 March 2021 the Authority had no material construction contracts.

## 18. Short Term Debtors

2019/20 £'000		2020/21 £'000
890	Trade Receivables	1,310
703	Local Taxation (Council Tax and Business Rates)	21,355
399	Prepayments	833
5,951	Other receivable amounts	10,151
<b>7,943</b>		<b>33,649</b>

The main reasons for the increase in short term debtors, relates to other receivable amounts, from developers in relation to planning obligations, the government and preceptors as set out below.

### 18.1 Debtors for Local Taxation

2019/20 £'000		2020/21 £'000
	<b>Debtors</b>	
529	Less than a year	978
295	More than a year	555
<b>824</b>		<b>1,533</b>
309	Government and Preceptor Debtors	20,722
(430)	Impairments	(900)
<b>703</b>		<b>21,355</b>

The additional income for Business Rate reliefs as a result of Covid was all paid to the Council however the Council will then pay Central Government and Surrey County Council for their proportions of these grants in 2021/22. These amounts are the main reason for the increase in short term debtors in 2021.

## 19. Cash and Cash Equivalents

The cash and cash equivalent is made up of the following amounts:

2019/20 £'000		2020/21 £'000
1	Cash held by the Authority	-
7,623	Bank current accounts	7,171
18,145	Short-term deposits with banks and building societies	20,189
<b>25,769</b>	<b>Total Cash and Cash Equivalents</b>	<b>27,360</b>

Short term deposits with banks and building societies have less than one month to maturity.

## 20. Assets held for sale

At 31 March 2021 the Council held no assets for sale, at 31 March 2020 the Council also did not hold any assets for sale.

## 21 Creditors

### 21.1 Short Term Creditors

2019/20 £'000	2020/21 £'000
(6,243) Trade Payables	(6,084)
(3,269) Other Payables	(11,209)
(9,092) Local Taxation (Council Tax and Business Rates)	(17,124)
(5,231) Receipts in advance	(3,701)
<b>(23,835)</b>	<b>(38,118)</b>

The increase in Other Payables relates to Covid grants payable to businesses. The increase in Council Tax and Business Rates relates to Business Rates S31 grants.

### 21.2 Short Term Loans

The short-term loan of £1,124,445 at 31 March 2021 is the element of the principal repayment required on loans in 2021/22 (£1,113,440 in 2019/20). Further details of the loans outstanding can be found in note 43.2.

## 22 Impairments

The Council has provided for a provision for the non-payment of debt owed to the Council, also referred to as Impairments, see note 18 for an analysis, by the debtor type and the net amount owed after impairment.

## 23. Usable Reserves

- The General Fund Balance is the accumulation of surplus or deficit on operational services attributable to Council Taxpayers. Such funds are not held for any specific purpose but are available to assist with the management of financial risks and to deal with any emergencies that might arise. The Medium Term Financial Strategy sets out the Council's policy for the recommended value of the General Fund Balance in order to provide assurance against the estimates and assumptions used in the annual budgeting process.
- Earmarked Reserves are resources set aside to meet specific future running costs and investments. The Medium Term Financial Strategy sets out the Council's policy for Earmarked Reserves, including their nature and suggested requirements. Full details of the movements on each reserve can be found at Note 8.
- The Usable Capital Receipts Reserve holds the proceeds of fixed asset sales available to meet future capital investment.
- Capital Grants Unapplied (Note 33) holds the balance of grants received where the conditions of grant entitlement have not yet been met. Government grants and other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received. Grants received in advance of these conditions being met are held as Unapplied Government Grants until released into the CIES as entitlement allows.

The position at 31 March for each category of Usable Reserve is as follows:

<b>2019/20</b>	<b>2020/21</b>
<b>£'000</b>	<b>£'000</b>
4,000 General Fund	4,000
35,014 Earmarked Reserves (Including CIL)	41,776
- Collection Fund Support (Government Grants)	20,585
17,828 Capital Receipts Reserve	16,949
18,533 Capital Grants Unapplied	17,947
<b>75,375 Total Usable Reserves</b>	<b>101,257</b>

The reason for the increase in Earmarked Reserves is related to CIL which is awaiting distribution to infrastructure related bids and funding received from government in relation to the Collection Fund (Business Rates and Council Tax), which will be used to mitigate the technical deficits caused by the governments accounting requirements over the 3 years 2021/22 to 2023/24.

## 24. Unusable Reserves

### 24.1 Analysis of Unusable Reserves

<b>2019/20</b>	<b>2020/21</b>
<b>£'000</b>	<b>£'000</b>
58,554 Revaluation Reserve	48,452
83,361 Capital Adjustment Account	76,072
(63,031) Pensions Reserve	(77,303)
1,146 Deferred Capital Receipts Reserve	1,363
1,369 Collection Fund Adjustment Account	(20,716)
<b>81,399 Total Unusable Reserves</b>	<b>27,868</b>

### 24.2 Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. The balance is reduced when assets with accumulated gains are revalued downwards or impaired and the gains are lost, used in the provision of services and the gains are consumed through depreciation, or disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created.

<b>2019/20</b>	<b>2020/21</b>
<b>£'000</b>	<b>£'000</b>
<b>52,712 Balance at 1 April</b>	<b>58,554</b>
21,892 Upward revaluation of assets	4,061
(14,986) Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(13,022)
<b>6,906</b> Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	<b>(8,961)</b>
(1,062) Difference between fair value depreciation and historical cost depreciation	(1,141)
(2) Accumulated gains on assets sold or scrapped	-
<b>(1,064)</b> Amount written off to the Capital Adjustment Account	<b>(1,141)</b>
<b>58,554 Balance at 31 March</b>	<b>48,452</b>

### 24.3 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 amortisation are charged to the CIES (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. Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2019/20 £'000	2020/21 £'000
<b>87,893</b> Balance at 1 April	<b>83,361</b>
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>	
(4,101) Charges for depreciation and impairment of non current assets	(3,904)
(2,297) Revaluation losses on Property, Plant and Equipment	(6,914)
(284) Amortisation of intangible assets	(224)
(4,196) Revenue expenditure funded from capital under statute	(2,212)
(3) 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	-
<b>77,012</b>	<b>70,107</b>
1,064 Adjusting amounts written out of the Revaluation Reserve	1,141
<b>78,076</b> Net written out amount of the cost of non-current assets consumed in the year	<b>71,248</b>
<b>Capital financing applied in the year:</b>	
3,186 Use of the Capital Receipts Reserve to finance new capital expenditure	1,640
1,023 Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	468
4,065 Application of grants to capital financing from the Capital Grants Unapplied Account	2,522
1,407 Statutory provision for the financing of capital investment charged against the General Fund	1,453
761 Capital expenditure charged against the General Fund Balance	1,595
<b>10,442</b>	<b>7,678</b>
(5,157) Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(2,854)
- Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	-
<b>83,361</b> Balance at 31 March	<b>76,072</b>

## 24.4 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 CIES 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.

<b>2019/20</b>		<b>2020/21</b>
<b>£'000</b>		<b>£'000</b>
<b>(67,486)</b>	<b>Balance at 1 April</b>	<b>(63,031)</b>
7,561	Remeasurement of the net defined benefit liability	(12,803)
(6,366)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(5,336)
3,260	Employer's pensions contributions and direct payments to pensioners payable in the year	7,056
-	Advanced payment of Secondary Contributions for 2021/22 and 2022/23, included in employer's pension contributions and direct payments	(3,189)
<b>(63,031)</b>	<b>Balance at 31 March</b>	<b>(77,303)</b>

## 24.5 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.

<b>2019/20</b>		<b>2020/21</b>
<b>£'000</b>		<b>£'000</b>
<b>1,140</b>	<b>Balance at 1 April</b>	<b>1,146</b>
180	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	269
(174)	Transfer to the Capital Receipts Reserve upon receipt of cash	(52)
<b>1,146</b>	<b>Balance at 31 March</b>	<b>1,363</b>

During 2020/21 the Council provided Catalyst Housing Limited with £196,488 (£175,000 in 2019/20) to provide mortgages to purchase property from the private sector. These funds are secured by a charge against the property and will be repaid to the Council when the loan is redeemed with Catalyst Housing Limited. During 2020/21, 1 loan was repaid with an increase in value of 14%. An increase of 6% has been applied to outstanding loans, resulting in an increase in value of £66,056 which has been credited as part of the gain on disposal to the CIES.

## 24.6 Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and Non-Domestic Rates income in the CIES as it falls due from Council Taxpayers and Business Rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2019/20 £'000	2020/21 £'000
<b>517 Balance at 1 April</b>	<b>1,369</b>
852 Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements*	(22,085)
<b>1,369 Balance at 31 March</b>	<b>(20,716)</b>

## 25. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2019/20 £'000	2020/21 £'000
(562) Interest received	(1,150)
1,369 Interest paid	1,348
<b>807 Net cash (inflow)/outflow</b>	<b>198</b>

## 25.1 Adjustments to Net Surplus or Deficit on the Provision of Services for Non-Cash Movements

2019/20 £'000	2020/21 £'000
(4,102) Depreciation	(3,904)
(2,297) Impairment and downward revaluations	(6,914)
(284) Amortisation	(224)
(467) Impairment - provision for bad debts	(653)
(4,765) Creditors	(21,724)
(2,173) Debtors	8,935
8 Inventories	(20)
(3,106) Pensions liability	1,720
- Carrying amount of non-current assets sold	-
(9,613) Other non-cash items charged	(11,128)
<b>(26,799) Adjustments for non-cash movements</b>	<b>(33,912)</b>

## 25.2 Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities

2019/20		2020/21
£'000		£'000
1	Proceeds from sale of property, plant & equipment, investment properties & intangibles	3
622	Proceeds from sale of former council houses	315
	- Proceeds from non-sale transactions	147
6,102	Capital grants receivable	2,404
<b>6,725</b>	<b>Adjustments for items which are investing and financing activities</b>	<b>2,869</b>

## 26. Cash Flow Statement – Investing Activities

2019/20		2020/21
£'000		£'000
4,559	Purchase of property, plant and equipment, investment property and intangible assets	10,221
7,000	Purchase of short and long-term investments	-
4,376	Other payments for investing activities	2,481
(1)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(3)
	- Proceeds from short-term and long-term investments	(11,800)
(7,206)	Other receipts from investing activities	(2,670)
<b>8,728</b>	<b>Net cash outflow from investing activities</b>	<b>(1,771)</b>

## 27. Cash Flow Statement – Financing Activities

2019/20		2020/21
£'000		£'000
	- Cash receipts of short and long-term borrowing	-
	- Other receipts from financing activities	-
1,103	Repayments of short- and long-term borrowing	1,112
1,140	Other payments for financing activities	24,226
<b>2,243</b>	<b>Net cash (inflow)/outflow from financing activities</b>	<b>25,338</b>

## 28. Expenditure and Funding Analysis (including Analysis by Nature)

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 Portfolios. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the CIES. The note to the Expenditure and Funding Analysis breaks down the adjustments into adjustments for capital purposes, pensions adjustments and other differences.

2019/20					
	As reported for Resource Management	Adjustments to arrive at the net amount chargeable to the General Fund	Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis (Note 7)	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000	£'000	£'000
Community Development	308	54	362	31	393
Corporate Development	2,505	7	2,512	150	2,662
Environment	5,583	0	5,583	272	5,855
Highways and Transport	(1,160)	0	(1,160)	1,343	183
Housing	3,045	254	3,299	2,522	5,821
Leisure and Culture	5,490	0	5,490	736	6,226
Licensing	218	0	218	116	334
Resources	1,695	(734)	961	350	1,311
Social	3,292	(10)	3,282	715	3,997
Planning	2,224	(5,907)	(3,683)	753	(2,930)
<b>Net Cost of Services</b>	<b>23,200</b>	<b>(6,336)</b>	<b>16,864</b>	<b>6,988</b>	<b>23,852</b>
Other income and expenditure	(27,960)	6,336	(21,624)	2,464	(19,160)
<b>(Surplus) or Deficit</b>	<b>(4,760)</b>	<b>0</b>	<b>(4,760)</b>	<b>9,452</b>	<b>4,692</b>
Opening General Fund Balance			34,254		
Surplus/(Deficit) on General Fund Balance in Year			4,760		
<b>Closing General Fund Balance at 31 March 2020</b>			<b>39,014</b>		

2020/21					
	As reported for Resource Management	Adjustments to arrive at the net amount chargeable to the General Fund	Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis (Note 7)	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000	£'000	£'000
Community Development	302	19	321	46	367
Corporate Development	2,172	19	2,191	123	2,314
Environment	5,552	0	5,552	166	5,718
Highways and Transport	976	0	976	6,664	7,640
Housing	2,332	25	2,357	926	3,283
Leisure and Culture	5,425	0	5,425	272	5,697
Licensing	264	0	264	59	323
Resources	319	2,197	2,516	(982)	1,534
Social	3,561	(1)	3,560	514	4,074
Planning	2,407	(5,657)	(3,250)	468	(2,782)
Covid 19	7,248	0	7,248	26	7,274
<b>Net Cost of Services</b>	<b>30,558</b>	<b>(3,398)</b>	<b>27,160</b>	<b>8,282</b>	<b>35,442</b>
Covid grants	(22,155)	0	(22,155)	0	(22,155)
Other income and expenditure	(35,629)	3,277	(32,352)	24,950	(7,402)
<b>(Surplus) or Deficit</b>	<b>(27,226)</b>	<b>(121)</b>	<b>(27,347)</b>	<b>33,232</b>	<b>5,885</b>
Opening General Fund Balance			39,014		
Surplus/(Deficit) on General Fund Balance in Year			27,347		
<b>Closing General Fund Balance at 31 March 2021</b>			<b>66,361</b>		

2019/20				
	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Adjustments between Accounting and Funding Basis
	£'000	£'000	£'000	£'000
Community Development	(6)	(25)	0	(31)
Corporate Development	(69)	(81)	0	(150)
Environment	(37)	(235)	0	(272)
Highways and Transport	(1,245)	(98)	0	(1,343)
Housing	(2,150)	(552)	180	(2,522)
Leisure and Culture	(313)	(423)	0	(736)
Licensing	0	(116)	0	(116)
Resources	(190)	(160)	0	(350)
Social	(5)	(710)	0	(715)
Planning	2	(755)	0	(753)
<b>Net Cost of Services</b>	<b>(4,013)</b>	<b>(3,155)</b>	<b>180</b>	<b>(6,988)</b>
Other income and expenditure	(3,366)	50	852	(2,464)
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(7,379)</b>	<b>(3,105)</b>	<b>1,032</b>	<b>(9,452)</b>

2020/21				
	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Adjustments between Accounting and Funding Basis
	£'000	£'000	£'000	£'000
Community Development	(30)	(16)	0	(46)
Corporate Development	(89)	(34)	0	(123)
Environment	(4)	(162)	0	(166)
Highways and Transport	(6,604)	(60)	0	(6,664)
Housing	(865)	(330)	269	(926)
Leisure and Culture	1	(273)	0	(272)
Licensing	0	(59)	0	(59)
Resources	553	429	0	982
Social	(44)	(470)	0	(514)
Planning	0	(468)	0	(468)
Covid 19	0	(26)	0	(26)
<b>Net Cost of Services</b>	<b>(7,082)</b>	<b>(1,469)</b>	<b>269</b>	<b>(8,282)</b>
Other income and expenditure	(2,865)	0	(22,085)	(24,950)
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(9,947)</b>	<b>(1,469)</b>	<b>(21,816)</b>	<b>(33,232)</b>

## Expenditure and Income Analysed by Nature

The Council's expenditure and income is analysed by type

2019/20 £'000		2020/21 £'000
19,800	Employees and Associated Costs	18,681
16,035	Depreciation and Impairment of Fixed Assets	16,108
6,063	Interest and Investment Expenses	5,748
36,149	Housing Benefit Payments	33,006
24,262	Business Rates Tariff	24,034
17,225	Other Service Expenses	44,405
<b>119,534</b>	<b>Total Expenditure</b>	<b>141,982</b>
(14,128)	Fees and Charges	(10,450)
(35,005)	Reimbursement from Government for Housing Benefits	(33,041)
(8,457)	Community Infrastructure Levy	(7,140)
(8,605)	Other Grants and Contributions	(50,949)
(7,742)	Interest and Investment Income	(7,080)
(40,905)	Income from Council Tax and Non-Domestic Rates	(27,437)
(114,842)	<b>Total Income</b>	<b>(136,097)</b>
4,692	<b>Deficit on Provision of Services</b>	<b>5,885</b>

### 29. Agency Services

The Council provides on-street car parking management, highway grass-cutting and highway weed treatment services to Surrey County Council. The total net deficit of the work performed on an agency basis is £64,847 (2019/20 deficit £42,241).

The Council provided grants to businesses in 2020/21 (no grants were paid in 2019/20) in total of £45 million. Of these the Council acted as Principal, requiring the Council to prepare Schemes for the distribution of the grants within broad government parameters, for £5 million, for the balance of £40 the Council acted as agent. In accordance with the accounting requirements the agency arrangement is not included in the Councils income and expenditure account, and the interaction with the government is identified as Creditors within the balance sheet for any money received and not spent during the year.

### 30. Members' Allowances

Each Member of the Council receives a fixed (basic) allowance; in addition, a special responsibility allowance is paid to the Leader of the Council, Members of the Cabinet, the Chairmen and Vice Chairmen of committees, and to the leaders of political groups.

Payments to all Members of the Council in 2020/21 amounted to £351,033 of which no payments were made relating to expenses (2019/20 - £349,329 of which £2,567 related to expenses).

The allowances were agreed by the Council after consideration of the recommendations of an Independent Remuneration Panel appointed to consider Members' allowances.

### 31. Officers' Emoluments

The Accounts and Audit Regulations 1996 introduced a specific requirement for the disclosure of officers' emoluments. This information must be in a form, which shows the number of employees whose total remuneration for the year fell in each band of a scale in multiples of £5,000, starting at £50,000 as detailed below. This sum includes benefits in respect of items relating to the provision of cars and other allowances but does not include employer's pension contributions and electoral fees.

2019/20	Band	2020/21
8	£50,000 - £54,999	8
9	£55,000 - £59,999	13
4	£60,000 - £64,999	3
2	£65,000 - £69,999	1
-	£70,000 - £74,999	2
1	£75,000 - £79,999	1
7	£80,000 - £84,999	1
1	£85,000 - £89,999	7
1	£90,000 - £94,999	-
-	£95,000 - £99,999	-
-	£100,000 - £104,999	1
1	£105,000 - £109,999	-
1	£110,000 - £114,999	1
-	£115,000 - £119,999	-
-	£120,000 - £124,999	-
1	£125,000 - £129,999	1
-	£130,000 - £134,999	-
-	£135,000 - £139,999	-
-	£140,000 - £144,999	-
1	£145,000 - £149,999	-
-	£150,000 - £154,999	1

The cost of employee benefit expenses (excluding employer's superannuation and National insurance costs) for 2020/21 was £13.3 million (£13.2 million in 2019/20).

In addition, the regulations require a full breakdown of the remuneration of senior officers of the Council (these officers are included in table above).

Disclosure of remuneration for senior employees

2020/21 Elmbridge Borough Council

Post Holder Information	Salary	Elections *	Bonuses	Expenses Allowances	Compensation for loss of office	Other Benefits	Total remuneration excluding Pension Contributions	Pension Contributions	Total remuneration including Pension Contributions 2020/21
Chief Executive (Head of Paid Service)	145,220.04	-	-	7,292.40	-	170.00	152,682.44	24,832.68	177,515.12
Strategic Director & Deputy Chief Executive (S151 Officer)	119,730.96	-	-	7,292.40	-	1,765.08	128,788.44	20,731.80	149,520.24
Strategic Director – Services	106,058.04	-	-	6,972.00	-	-	113,030.04	18,135.96	131,166.00
Head of Legal Services (Monitoring Officer)	46,972.49	-	-	3,578.48	-	2,114.16	52,665.13	7,754.22	60,419.35
	417,981.53	-	-	25,135.28	-	4,049.24	447,166.05	71,454.66	518,620.71

2019/20 Elmbridge Borough Council

Post Holder Information	Salary	Elections *	Bonuses	Expenses Allowances	Compensation for loss of office	Other Benefits	Total remuneration excluding Pension Contributions	Pension Contributions	Total remuneration including Pension Contributions 2019/20
Chief Executive (Head of Paid Service)	141,333.00	10,353.00	-	7,586.04	-	-	159,272.04	21,199.92	180,471.96
Strategic Director & Deputy Chief Executive (S151 Officer)	116,526.00	3,650.00	-	8,013.24	-	1,718.52	129,907.76	17,478.96	147,386.72
Strategic Director - Services	103,218.96	2,550.00	-	8,600.64	-	-	114,369.60	15,482.88	129,852.48
Head of Legal Services (Monitoring Officer)	76,385.04	-	-	7,132.20	-	2,063.45	85,580.69	11,457.72	97,038.41
	437,463.00	16,553.00	-	31,332.12	-	3,781.97	489,130.09	65,619.48	554,749.57

\* Election fees for the Returning Officer are set by the Ministry of Justice

### 32. External Audit Costs

In 2020/21 Elmbridge Borough Council, incurred a total of £101,362 in fees relating to external audit and inspection of this £62,362 was the statutory fee and £39,000 was non-statutory (Statutory £46,862 and non-statutory £ 28,325– 2019/20). The main reason for the increase is due to additional work required to be undertaken on the certification of the Housing Subsidy claim (£10,675) in addition there was an additional charge for the auditing of accounts as a result of addition work required in the year and an increase in professional standards (£8,500) and work relating to the impact of Covid -19 (£7,000).

### 33. Grant Income

The Council credited the following grants and contributions to the CIES in 2020/21.

2019/20 £'000	2020/21 £'000
<b>Credited to Taxation and Non Specific Grant Income</b>	
(2,668) Capital Grants	(2,499)
(24,976) EBC Proportion of total business rate collectable for the year	(11,123)
(24) Collection Fund (Surplus)/Deficit Account	116
(14,372) Precept Collection Fund	(14,811)
(958) New Homes Bonus	(864)
- Covid Related	(10,300)
(2,033) Other Grants	(34,805)
<b>(45,031) Totals</b>	<b>(74,286)</b>
<b>Credited to Services</b>	
(35,005) Housing Benefit Subsidy	(33,041)
(370) Flexible Homelessness Grant	(365)
(185) NDR Cost of Collection	(253)
- Covid Related	(547)
(428) Other Grants	(471)
<b>(35,988) Total</b>	<b>(34,677)</b>

More details on the Council Tax and Non-Domestic Rates can be found in the Collection Fund Income and Expenditure Account.

### 34. Related Party Transactions

The Code of Practice for Local Authority Accounting requires the disclosure of any material transactions with related parties which are not disclosed elsewhere. Examples of related parties to an authority such as Elmbridge Borough Council would include central government, other local authorities and precepting bodies, joint ventures and joint venture partners, together with the Council's Members and Chief Officers. Comparatives are shown where there was a payment in the year, to aid the reader, a full list of transactions can be found in the 2019/20 accounts for the related transaction payments for that year.

Several Members are connected with local organisations, with whom the Council has dealings. Material transactions are either material to the Council or of materiality to the third party concerned. In addition, they need to be able to exercise control or a significant influence on either party.

2019/20	2020/21
£	£
- Claygate Recreation Ground Trust	678,096
131,968 Citizens Advice Elmbridge (West)*	127,942
- Sunbury and Walton Sea Cadets	117,906
98,270 Elmbridge Building Control Services Ltd	93,341
88,470 Esher & District CAB	80,970
- EBC Homes Ltd	67,979
26,847 Voluntary Action Elmbridge	40,438
26,840 CHEER	25,140
31,480 Chatterbus CIO	24,480
20,000 Walton on Thames Community Arts Trust	20,000
11,550 Rental Support Scheme	12,600
5,554 Weybridge in Bloom	6,146
- The R C Sherriff Trust	4,034
- Home Support Elmbridge	3,090
- High Sheriff Youth Awards	1,500
- Brightwater Brewery Limited	1,200
554 Thames Ditton Foundation	1,146
- Walton & Hershaw Football Club	580

"Citizens Advice Elmbridge (West)" was formerly known as "Walton, Weybridge & Hershaw CAB".

Under the Council's corporate governance arrangements, Members are required to declare any interests, personal or prejudicial (or both) on agenda items before meetings of the Council including the Cabinet, committees and sub-committees commence, and any such declarations appear in the minutes.

The Council maintains a register of Members' and officers' interests, which is updated annually.

The appropriate analysis has been undertaken with regard to related party transactions for the year ended 31 March 2021, and the conclusion was reached that there were no other material transactions with related parties in that year, which are not disclosed elsewhere in this Statement of Accounts.

### **Covid Business Grants**

As part of the government's response to Covid, Elmbridge paid £45 million of grants to Businesses. Approximately £5 million of these grants were paid where the Council acted as principal (the Council prepared a scheme for payment based on broad guidelines set by government). Any grant payments where the Council acted as principal have been disclosed as related party transactions. The balance of the Business Grants (£40 million), the Council acted as Agent. Where the Council acted as Agent the payments were based on instructions from Government, and there was no discretion or possible control that could be exercised on these payments. These payments have not been declared.

## Building Control Mutual

On 1 August 2015, the Council established a Building Control mutual in which it owns 20%. The mutual is considered to be a going concern and the council will receive a share of profit in accordance with the transfer agreement.

Draft accounts indicate from 1 April 2020 to 31 March 2021 that the mutual made a profit of £24,391 (after tax), in 2019/20 it made a loss of £944 (after tax).

At 31 March 2021, the mutual had a net current liability of £675,866 (£572,257 – 31 March 2020) represented by negative shareholder funds of £675,866 (£572,257 – 31 March 2020).

## Housing Company

During 2018/19 the Council established a wholly owned company 'EBC Investments', and a subsidiary, 'EBC Homes'. EBC Homes started trading on 7 January 2019, a loan for working capital purposes of £150,000 was made from the Council to EBC Homes, at a rate of 5%. The first accounts of the company covered a 15-month period to 31 March 2020. At 31 March 2021 EBC Homes unaudited accounts showed the following:

Total Income from Rents £390,000 (2019/20 £390,000)

Cost of Sales £273,000 (2019/20 £376,000)

Other Costs £82,000 (2019/20 £43,000)

Profit of £35,000 (2019/20 loss of £29,000)

At the 31 March 2021 EBC Homes had Total Assets exceeding Liabilities of £6,000, representing the overall accumulated profit.

6 Officers are Directors of EBC Investments or EBC Homes for no financial gain or reward, one officer has resigned from the Council and as a Director.

EBC Homes has an independent non-executive director who receives £5,000 per annum.

## Trust Funds

The Council administers two Trust Funds', the total value at 31 March 2021 is £55,313 (£64,158 – 31 March 2020).

## 35. 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. The CFR is analysed below:

2019/20	2020/21
£'000	£'000
63,897 Opening Capital Financing Requirement	62,490
<b>Capital investment</b>	
2,939 Property, Plant and Equipment	2,913
1,781 Investment Properties	6,846
119 Intangible Assets	254
4,196 Revenue Expenditure Funded from Capital under Statute	2,212
<b>Sources of finance</b>	
(3,186) Capital Receipts	(1,640)
(5,088) Government Grants and Other Contributions	(2,990)
<b>Sums set aside from revenue:</b>	
(761) Direct revenue contributions	(1,595)
(1,407) MRP/loans fund principal	(1,453)
<b>62,490 Closing Capital Financing Requirement</b>	<b>67,037</b>
<b>Explanation of movements in year</b>	
(1,407) Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	4,547
<b>(1,407) Increase/(decrease) in Capital Financing Requirement</b>	<b>4,547</b>

## 36. Leases

### The Council as Lessee

#### Finance Leases

The Council has no material finance leases.

### The Council as Lessor

#### Operating Leases

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

- for the provision of community services such as sporting facilities; 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:

<b>2019/20</b>	<b>2020/21</b>
<b>£'000</b>	<b>£'000</b>
547 Not later than one year	529
348 Later than one year and not later than five years	349
319 Later than five years	448

### **37. Impairment Losses**

During both 2020/21 and 2019/20 the Council had no impairment losses.

Under regulation impairment losses have no effect on the Council Taxpayer.

### **38. Termination Benefits**

The Council terminated one officers' contract in 2020/21, incurring £152,670 of liabilities (£5,714 in 2019/20 for 1 officer). £32,000 of savings are estimated as a result of this termination (none per annum 2019/20). The termination benefits to individual employees can be analysed in bandings of £20,000 as follows:

Number of Employees	Termination Benefit	Number of Employees
2019/20		2020/21
1	£0 - £20,000	-
-	£20,001 - £40,000	-
-	£40,001 - £60,000	-
-	£60,001 - £80,000	-
-	£80,001 - £100,000	-
-	£100,001 - £120,000	-
-	£120,001 - £140,000	-
-	£140,001 - £160,000	1

There were £23,600 of outstanding payments relating to exit packages at 31 March 2021 (At 31 March 2020 there were no outstanding payment).

### 39. Provisions

	<b>MMI</b>	<b>Business Rate Appeals</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Balance at 1 April 2020	52	2,304	2,356
Additional provisions made	-	6,837	6,837
Amounts used	-	(774)	(774)
Unused amounts reversed	-		0
<b>Balance at 31 March 2021</b>	<b>52</b>	<b>8,367</b>	<b>8,419</b>

#### MMI

In 1991 the Council's Insurer Municipal Mutual Insurance (MMI) went into administration. Since this time the administrator has been handling any outstanding/new claims made against Elmbridge. In April 2012 the Council was notified that MMI had lost a court case regarding the possible future payments in settling outstanding court cases. The Council were informed that it was unlikely that MMI would achieve a solvent run off. At the 31 March 2012 the Council's maximum liability, should there be an insolvent run off, was £389,000. A full provision was made during 2011/12 to cover the maximum liability until an actuarial review of the company is completed. The Council received an actuarial review in 2013 and based on the advice at this time only £150,000 was required to meet the Council's liability. During 2013/14, £59,000 was paid to MMI in respect of this provision; an additional £39,000 was paid in 2016/17. At this time the final settlement remains uncertain.

#### Business Rate Appeals

The provision represents the potential reduction in the amount of business rates as a result of alterations of Rateable Value from appeals and future appeals. If the Valuation Office re-assess the rateable value as a result of an appeal, the Council will reimburse the property owner for any overpayment, backdated to the date of the original assessment.

During 2016/17 the Valuation Office carried out a re-valuation exercise (the new valuations were effective from 1 April 2017). The exercise identified several sites in the Borough which had outstanding appeals (dating back to the 2010 valuation) where the 2017 valuation was significantly below the 2010 valuation after applying an average increase in valuation for the class of property into which these sites fit. The revaluations of all business property came into effect on 1 April 2017 together with a new process for reviewing rateable values.

As a result of Covid there have been a number of premises which were rateable for business rates purposes who have informed the Valuation office that the site is derelict or no longer in use. In addition, as a direct consequence of covid businesses have submitted Material Change of Circumstances (MCC) request to the valuation office. These requests seek a reduction in the rateable value as a result of Covid. As result of these two potential changes in the rateable value an additional provision of has been required. At the time of preparing the accounts the government are seeking approval for legislation which once approved, would mean that the MCC request as a result of Covid will not be allowed. The accounts have been prepared on the legislation which is in place at the present time, which would not exclude these MCC requests.

## **40. Defined Benefit Pension Scheme**

### **40.1 Participation in Pension Schemes**

As part of the terms and conditions of employment of its officers and other employees, 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 the Local Government Pension Scheme for civilian employees, administered by Surrey County Council. This is a funded defined benefit final salary scheme (from 2014 this was based on career average), 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 is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made.

The disclosures below reflect changes implemented by IAS19 'Employee Benefits' (revised) concerning the treatment of interest and administration costs in relation to current service costs and administration costs directly related to the management of plan assets.

### **40.2 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 retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

The following transactions have been made in the CIES and the General Fund Balance via the Movement in Reserves Statement during the year:

<b>2019/20</b>		<b>2020/21</b>	
<b>£'000</b>		<b>£'000</b>	<b>£'000</b>
	<b><u>Comprehensive Income and Expenditure Statement</u></b>		
	<b>Cost of Services</b>		
4,725	Current service cost	3,886	
-	- Past service costs	37	
-	- (Gain)/loss from settlements	-	<b>3,923</b>
	<b>Financing and Investment Income and Expenditure</b>		
1,641	Net interest expense		<b>1,413</b>
6,366	<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>		<b>5,336</b>
	<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>		
	Actuarial gains and losses		
	Remeasurement of the net defined benefit liability comprising:		
11,588	• Return on plan assets (excluding the amount included in the net interest expense)		<b>(25,018)</b>
(3,786)	• Actuarial (gains) and losses arising on changes in demographic assumptions		<b>2,089</b>
(11,773)	• Actuarial (gains) and losses arising on changes in financial assumptions		<b>37,212</b>
(3,590)	• Other		<b>(1,480)</b>
(7,561)			<b>12,803</b>
(1,195)	<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>		<b>18,139</b>
	<b><u>Movement In Reserves Statement</u></b>		
4,455	<b>Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the code</b>		<b>(11,083)</b>
3,260	<b>Actual amount charged against the General Fund Balance for pensions in the year employers' contributions payable to scheme</b>		<b>7,056</b>

### 40.3 Pensions Assets and Liabilities Recognised in the Balance Sheet

2019/20 £'000	2020/21 £'000
(150,215) Present value of funded liabilities	(190,640)
(3,223) Present value of unfunded liabilities	(3,397)
(153,438) Present value funded and unfunded liabilities	(194,037)
90,407 Fair value of plan assets	119,923
<b>(63,031) Net liability arising from the defined benefit obligation</b>	<b>(74,114)</b>

### Reconciliation of the Movements in the Fair Value of the Scheme (Plan) Assets

2019/20 £'000	2020/21 £'000
<b>101,241 Opening fair value of scheme assets</b>	<b>90,407</b>
2,415 Interest income	2,105
Remeasurement gains / (loss):	
(11,588) • Return on plan assets, excluding the amount included in the net interest expense	25,018
- • Other	
2,998 Contributions from employer (see note below)	6,794
784 Contributions from employees into the scheme	821
(5,443) Benefits paid	(5,222)
<b>90,407 Closing balance at 31 March</b>	<b>119,923</b>

Note that the contribution from the employer to the pension scheme includes an advanced payment for secondary contributions for 2021/22 and 2022/23 of £3,189,000. This is correctly shown as being a receipt by the pension fund from the Council. The Council will charge the advanced payment to the Council revenue accounts equally in 2021/22 and 2022/23 in accordance with proper accounting requirements. The advanced payment is held on the Pension Reserve (Note 24.4)

### Reconciliation of Present Value of the Scheme Liabilities

2019/20 £'000	2020/21 £'000
<b>168,727 Opening balance at 1 April</b>	<b>153,438</b>
4,725 Current service cost	3,886
- Past service cost (including curtailments)	37
4,056 Interest cost	3,518
784 Contributions by scheme participants	821
Remeasurement gains / losses:	
(3,786) • Actuarial gains / (losses) arising from changes in demographic assumptions	2,089
(11,773) • Actuarial gains / (losses) arising from changes in financial assumptions	37,212
(3,590) • Other	(1,480)
(5,705) Benefits paid	(5,484)
<b>153,438 Closing balance at 31 March</b>	<b>194,037</b>

## Local Government Pension Scheme assets comprised:

Fair value of scheme assets		
2019/20		2020/21
£'000		£'000
3,079	Cash and cash equivalents	2,730
Equity instruments by industry type:		
2,580	• Consumer	2,598
1,925	• Manufacturing	1,308
700	• Energy & utilities	253
1,523	• Financial institutions	1,563
1,557	• Health & care	1,099
2,951	• Information technology	3,630
51	• Other	-
11,287	Sub-total equity	10,451
Bonds by sector:		
-	• Corporate	-
5,112	• Government	5,558
-	• Other	-
5,112	Sub-total bonds	5,558
Property by type:		
4,525	• UK property	4,348
1,986	• Overseas property	2,118
6,511	Sub-total property	6,466
7,233	Private equity *	8,226
Other investment funds:		
47,571	• Equities	71,002
10,523	• Bonds	15,124
-	• Other	-
58,094	Sub-total other investment funds	86,126
Derivatives:		
-	• Interest Rate	-
(909)	• Foreign exchange	366
(909)	Sub-total derivatives	366
<b>90,407</b>	<b>Total assets</b>	<b>119,923</b>

\* The private equity investments do not have quoted prices in active markets.

### 40.4 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 31 March 2019.

The significant assumptions used by the actuary have been:

2019/20		2020/21
	<b>Long-term expected rate of return on assets in the scheme:</b>	
2.3%	Equity investments	2.0%
2.3%	Bonds	2.0%
2.3%	Property	2.0%
2.3%	Cash	2.0%
	<b>Mortality assumptions:</b>	
	Longevity at 65 for current pensioners (years):	
22.1	• Men	22.3
24.3	• Women	24.7
	Longevity at 65 for future pensioners (years):	
22.9	• Men	23.4
25.7	• Women	26.4
1.9%	<b>Pension Increase Rate (CPI)</b>	2.9%
2.8%	<b>Rate of increase in salaries</b>	4.0%
1.9%	<b>Rate of increase in pensions</b>	2.9%
2.3%	<b>Rate for discounting scheme liabilities</b>	2.3%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the 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 credit method. The methods and types of assumptions used in preparing the sensitivity analysis below is consistent with that adopted in the previous year.

Impact on the Defined Benefit Obligation in the Scheme	%	Increase in Assumption £'000
Longevity (increase of 1 year)	3-5	7,900
Rate of inflation (CPI increase by 0.5%)	8	16,060
Rate of increase in salaries (increase by 0.5%)	1	1,362
Rate of increase in pensions (increase by 0.5%)	8	16,060
Rate for discounting scheme liabilities (decrease by 0.5%)	9	17,775

The Council's share of the deficit on the Surrey Pension Fund continued to reduce the Council's net asset position. Elmbridge's Balance Sheet shows a Pensions liability of £ 74 million. The main change in the accounting valuation of the fund compared to 31 March 2020 relates to a change in the financial assumptions increasing the deficit by £ 37 million offset by a gain on the expected return on assets of £25 million. The current actuarial valuation, based on forecast yields rather than corporate bond yields as required by the accounting standards, and future anticipated funding shows that the fund is approaching fully funded status over the next 18 years.

## 40.5 Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. Surrey County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. A valuation was carried out at 31 March 2019, the next triennial valuation is due to be completed as at 31 March 2022.

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 may not provide benefits in relation to service after 31 March 2014. 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 to certain public servants.

The actuary anticipates the authority's expected contributions to the scheme in 2021/22 will be £1,907,000 based on the triennial actuarial review at 31 March 2019, (2020/21 - £6,562,000).

The weighted average duration of the defined benefit obligation for scheme members is 18 years in 2019/20 (19 years in 2019/20).

Further information can be found within the Surrey County Council Superannuation Fund Annual Report, which is available upon request from Surrey County Council, County Hall, Penrhyn Road, Kingston upon Thames, Surrey, KT1 2DN.

## 41. Contingent Liabilities

As part of the large-scale voluntary transfer agreement between the Council and the Elmbridge Housing Trust the Council provided an environmental warranty with an aggregate cap of £10 million for a period of 30 years. There was no local knowledge of serious problems in this regard, and after taking professional advice from the Council's specialist insurance consultant and considering the likely costs of a full survey and insurance cover, the Council decided not to effect insurance cover in respect of this risk. The warranty was subsequent to a full disclosure being made by the Council of all known environmental issues concerning the housing stock and related assets. No claims against the warranty have been made at the date of the issue of the accounts.

On 1 August 2015 the Council established a Building Control Mutual. As part of the agreement establishing the mutual the Council provided a guarantee in relation to the pension deficit at the date of the transfer. The liability will only materialise if the Mutual ceases to trade. The cost of the guarantee is approximately £0.7million.

## 42. Contingent Assets

There are no contingent assets.

## 43. Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks:

- credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments; and
- market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council in the annual Treasury Management Strategy. Elmbridge Borough Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

### 43.1 Credit Risk

Credit risk arises from deposits with banks and other financial institutions, and in addition credit exposures to the Council's own customers. The Council's risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, such as ratings received from Fitch, Moody's and Standard & Poors, applying the lowest available rating for any institution. The Annual Investment Strategy also imposes maximum limits on the time period and amount that can be placed by investment category and institution. For further information please refer to Appendix B of the 2020/21 Treasury Management Strategy papers presented to 12 February 2020 Cabinet.

A summary of the credit quality of the Council's investments at 31 March 2021 is shown below:

2019/20 £'000	Fitch Rating	2020/21 £'000
-	AAA	-
-	AA+	-
-	AA	-
35,800	AA-	44,000
7,334	A+	7,103
10,000	A	15,000
-	A-	-
5,000	BBB+	-
3,000	BBB	-
26,150	n/a	11,000
<b>87,284</b>		<b>77,103</b>

The Council's loans receivable are all fixed term investments and hence classified at 'Amortised cost'. An expected credit loss model, applied to determine the estimated loss allowance that might be required from holdings of investments, has shown the amount to be immaterial.

**Customer Debt** - Credit exposures to customer debt are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Council does not expect any losses from non-performance by any of its counterparties in relation to deposits. In relation to its customers, the Council has a prudent provision for bad debts to cover cases of default. There are no debts posing a credit risk to the Council at the balance sheet date, which are not covered by the provision for bad debts.

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The Council does not generally allow credit for customers. £4.7 million of the £5.8 million balance is past its due date for payment. The past due amount can be analysed by age at 31 March as follows:

2019/20		2020/21	
£'000		£'000	%
588	Less than three months	296	6%
494	Three to six months	2,050	44%
602	Six months to one year	1,456	31%
806	More than one year	876	19%
<b>2,490</b>		<b>4,678</b>	<b>100%</b>

## 43.2 Liquidity Risk

The Council undertakes daily cash flow management to ensure that it has adequate but not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it to have sufficient funds to meet its liabilities as they become due.

At 31 March 2021, the Council has external borrowing with the Public Works Loan Board (PWLB) of £54,689,843 with a maturity analysis as follows:

2019/20		2020/21
£'000		£'000
<b>Short term loans</b>		
1,113	Less than one year	<b>1,124</b>
<b>1,113</b>		1,124
<b>Long term loans</b>		
1,124	Between one and two years	1,136
3,442	Between two and five years	3,477
10,455	Between five and fifteen years	10,121
39,669	More than fifteen years	38,832
<b>54,690</b>		<b>53,566</b>
<b>55,803</b>		<b>54,690</b>

The fair value of PWLB loans of £60.0 million measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date, based on the authority's ability to borrow from PWLB at concessionary rates. The difference between the carrying amount and the fair value measures the increased interest (based on economic conditions at 31 March 2021) that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against that which would be paid if the loans were at prevailing market rates.

The exit price for the PWLB loans, including the penalty charge, would be £73.0 million.

All trade and other payables are due to be paid in less than one year.

### 43.3 Market Risk

#### Interest Rate Risk

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

- borrowing at fixed rates – the fair value of the liabilities borrowings will fall;
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise; and
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services, or Other Comprehensive Income and Expenditure.

However, changes in interest receivable on variable rate investments would be posted to Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price would be reflected in Other Comprehensive Income and Expenditure.

The Council has a number of strategies for managing interest rate risk. The Treasury Management Team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The Council established an Interest Equalisation Reserve a number of years ago to protect the Council against changes in the interest income generated on its surplus funds due to changes in market conditions; at the 31 March 2021 the balance on this reserve was £0.7 million.

According to this assessment strategy, at 31 March 2021, if interest rates had been 1% higher with all other variables held constant, the financial effect would have been an additional £907,000 being credited to the Surplus or Deficit on the Provision of Services.

### 43.4 Price Risk

The Council does not hold any investments in equity shares and therefore is not exposed to potential losses arising from movements in share prices.

### 43.5 Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rate.

## Collection Fund Income and Expenditure Account

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.

2019/20				2020/21		
Business Rates	Council Tax	Total		Business Rates	Council Tax	Total
£'000	£'000	£'000	Note	£'000	£'000	£'000
			<b>Income</b>			
-	126,285	126,285	Council tax receivable		130,830	130,830
64,287	-	64,287	Business rates receivable	3	32,150	32,150
839	-	839	Transitional protection receivable		161	161
<b>65,126</b>	<b>126,285</b>	<b>191,411</b>		<b>32,311</b>	<b>130,830</b>	<b>163,141</b>
			<b>Expenditure</b>			
			Apportionment of previous year's surplus/(deficit)			
(375)	-	(375)	Central Government	1,537	-	1,537
(127)	54	(73)	Elmbridge Borough Council	1,806	100	1,906
328	353	681	Surrey County Council	1,652	658	2,310
-	59	59	Surrey Police & Crime Commissioner	-	118	118
<b>(174)</b>	<b>466</b>	<b>292</b>		<b>4,995</b>	<b>876</b>	<b>5,871</b>
			Precepts, demands & shares			
31,800	-	31,800	Central Government	32,962	-	32,962
25,427	14,372	39,799	Elmbridge Borough Council	26,357	14,811	41,168
6,357	94,071	100,428	Surrey County Council	6,589	98,589	105,178
-	16,864	16,864	Surrey Police & Crime Commissioner		17,649	17,649
<b>63,584</b>	<b>125,307</b>	<b>188,891</b>		<b>65,908</b>	<b>131,049</b>	<b>196,957</b>
			Charges to the Collection Fund:			
285	135	420	Write-off of uncollectable amounts	227	199	426
90	620	710	Increase / (decrease) in bad debt provision	995	640	1,635
(808)	-	(808)	Amount Charged to Appeals Provision	4	(1,934)	(1,934)
(248)	-	(248)	Increase / (decrease) in appeals provision		17,090	17,090
185	-	185	Cost of Collection		183	183
<b>(496)</b>	<b>755</b>	<b>259</b>		<b>16,561</b>	<b>839</b>	<b>17,400</b>
<b>62,914</b>	<b>126,528</b>	<b>189,442</b>		<b>87,464</b>	<b>132,764</b>	<b>220,228</b>
(2,212)	243	(1,969)	(Surplus) / deficit arising in year	55,153	1,934	57,087
(1,748)	(58)	(1,806)	<b>Balance at 1 April</b>	(3,960)	185	(3,775)
<b>(3,960)</b>	<b>185</b>	<b>(3,775)</b>	<b>Balance at 31 March</b>	<b>51,193</b>	<b>2,119</b>	<b>53,312</b>

## Notes to the Collection Fund Income and Expenditure Account

### 1. Business Rates Retention Scheme

The method for distributing and accounting for Non-Domestic Rates changed on 1 April 2013 with the introduction of the Business Rates Retention Scheme.

The Council collects business rates in its area based on local rateable values multiplied by a uniform rate prescribed by Central Government. The scheme allows local authorities to benefit from supporting local business growth by retaining a proportion of increases in business rates retained income above a baseline funding level, to invest in local services, subject to a Central Government growth levy. Safety net arrangements have also been established to compensate those authorities where retained income falls below a certain threshold.

Revenue growth under the new scheme is shared between Central Government, Elmbridge and Surrey County in the ratio 50:40:10. The 40% share of growth accruing to Elmbridge is then subject to a Central Government levy applied at a rate of 50%, so that in practice Elmbridge is permitted to retain 20% of any business rates growth of its share of retained income above its 2020/21 baseline funding level of £2.3 million (2019/20 £2.3 million). The baseline funding level rises each year in line with the change in the business rates multiplier.

### 2. Council Tax Receivable

For Council Tax purposes all domestic properties are placed in one of eight valuation bands at 1991 prices, the bands ranging from A to H. The Council set a 2020/21 Council Tax charge for Band D properties of £2,022.48 within the Claygate Parish Area and £2,008.33 for the area excluding Claygate. Persons on lower incomes are entitled to assistance with Council Tax costs under the local Council Tax Reduction scheme administered by Elmbridge Borough Council and substantially financed by central government.

The Council Tax base for the year for the Elmbridge Borough Council area, i.e. the estimated number of chargeable dwellings in each band (adjusted for dwellings where discounts and reliefs apply), converted to an equivalent number of Band D dwellings, was as follows:

The future impact on the Council Taxbase as a consequence of Covid-19 remains uncertain at this time. The award of additional discounts for Council Tax Support, has a direct impact on the Taxbase, an increase in Council Tax Support equivalent to 1 % of the Taxbase would reduce the amount collectable by approximately £1.3 million.

Band	Estimated No. of Taxable Properties After Effect of Discounts & Reliefs	Ratio	Band D Equivalent Dwellings
A	322	6/9	215
B	938	7/9	730
C	5,521	8/9	4,908
D	11,193	1	11,193
E	9,770	11/9	11,941
F	7,341	13/9	10,604
G	10,727	15/9	17,878
H	4,210	18/9	8,420
<b>TOTAL</b>	<b><u>50,022</u></b>		<b><u>65,889</u></b>
		<b>Less: Adjustments *</b>	<b>(661)</b>
		<b>Council Tax Base</b>	<b><u>65,228</u></b>

\* An adjustment is made to reflect the estimated rate of collection of Council Tax for the year.

### 3. Business Rates Receivable

The total Non-Domestic Rateable Value for the Elmbridge area at 31 March 2021 was £157 million (£161 million in 19/20), and the National Non-Domestic Rates multiplier 51.2p for 2020/21.

### 4. Provision for Alteration of Lists and Appeals

During 2016/17 the Valuation Office carried out a re-valuation exercise (the new valuations effective from 1 April 2017). The exercise identified several sites in the Borough which had outstanding appeals (dating back to the 2010 valuation) where the 2017 valuation was significantly below the 2010 valuation after applying an average increase in valuation for the class of property into which these sites fit. These valuations came into effect from 1 April 2017, together with a new process for challenging rateable values. As a result, the provision was increased to reflect the risk associated with the uncertainty around the valuation and the appeal processes.

Increases in derelict business premises, business premise no longer in use and Material Change of Circumstances (MCC) notifications to the Valuation Office have increased the risk of significant reductions in Non-Domestic Rateable Value for the Elmbridge area during the Covid 19 pandemic. After £1.9 million net usage in-year, the provision has then been increased by £17.1 million to £20.9 million as at 31 March 2021.

## Glossary of Terms

This glossary helps to define some of the terms and phrases found in these accounts.

### **Accounting Period**

The length of time covered by the accounts, in the case of these accounts the year from 1 April 2020 to 31 March 2021.

### **Accrual**

A sum included in the accounts to cover income or expenditure attributable to the accounting period for goods or services, but for which payment has not been received/made, by the end of that accounting period.

### **Actuarial Gains and Losses**

Changes in the estimated value of the pension fund because events have not coincided with the actuarial assumptions made or the assumptions themselves have changed.

### **Appropriations**

The transfer of resources between various revenue reserves.

### **Balances**

These represent the accumulated surplus of revenue income over expenditure.

### **Budget**

An expression, mainly in financial terms, of the Council's intended income and expenditure to carry out its objectives.

### **Budget Requirement**

The amount each local authority estimates as its planned spending, after deducting funding from reserves and any income expected to be collected (excluding Council Tax and Government Grants). This requirement is then offset by Government Grant, the balance being the amount needed to be raised in Council Tax.

### **Capital Charge**

A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services.

### **Capital Expenditure**

Expenditure on the acquisition of fixed assets that will be of use or benefit to the Council in providing its services for more than one year.

### **Capital Financing Account**

An account that is credited with the amounts set aside for the repayment of external debt and with capital expenditure paid for from revenue and capital receipts. The balance cannot be used to fund revenue or capital expenditure.

### **Capital Receipts**

Income received from the sale of capital assets. Legislation requires a proportion of capital receipts from the sale of Council houses to be paid over to a national pool.

### **Cash Equivalents**

Generally short term, highly liquid investments readily convertible into cash.

### **Chartered Institute of Public Finance and Accountancy (CIPFA)**

CIPFA is the main professional body for accountants working in the public service. It draws up the Accounting Codes of Practice and issues professional guidance that is used to compile these accounts.

**Collection Fund**

A fund administered by the Council as a “billing authority”. The Council Tax and National Non-Domestic Rates are paid into this fund and payments are made to Central Government, Surrey County Council, Elmbridge Borough Council, Surrey Police, Claygate Parish as required by statute.

**Collection Fund Adjustment Account**

An account that is credited/debited with the difference between the Collection Fund surplus that is required by government regulations to be charged to the General Fund in the year and the amount required under accounting requirements to be shown in the Comprehensive Income and Expenditure Account. The balance on the account at the year-end represents the Borough Council’s element of the Collection Fund balance at the year end.

**Creditors**

The amounts owed by the Council at the Balance Sheet date in respect of goods and services received before the end of the accounting period with the actual payment being made in the next financial year.

**Current Service Cost**

The increase of the present value of a defined benefit schemes liabilities expected to arise from employee service in the accounting period.

**Debtors**

Amounts owed to the Council but unpaid at the Balance Sheet date.

**Depreciation**

The measure of the cost of the benefit of the fixed asset that have been consumed during the period.

**Expected Rate of Return on Pensions Assets**

The average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

**Fees and Charges**

The income raised by charging for goods, services or the use of facilities.

**Fixed Asset**

A tangible item that yields benefit to the Council for a period of more than one year.

**Formula Grant**

Central government financial support towards the general expenditure of local authorities.

**General Fund**

The main revenue fund of the Council which is used to meet the cost of services paid for from Council Tax, Government Grant and fees and charges.

**Intangible Assets**

Expenditure on assets, such as software, which are amortised over their expected life but there is no physical asset.

**Interest Cost – Pension Scheme**

The expected increase over the period in the present value of the pension scheme liabilities because the benefits are one period closer to settlement.

**LABGI – Local Authority Business Growth Incentive Grant**

A grant payable from the National Non-Domestic Rate National Pool to Councils for the growth, over a year, in the value of Non-Domestic Rateable values in their area.

**Leasing**

A method of acquiring the use of capital assets for a specified period for which a rental charge is paid.

**Minimum Revenue Provision**

The minimum amount, prescribed by law, to be set aside each year from revenue to repay the principal amounts of external loans outstanding. The Council can set aside amounts in addition to the minimum requirement, known as a voluntary provision for debt redemption.

**Non-Domestic Rates**

Rates from Non-Domestic properties, collected locally, are pooled nationally and redistributed from this pool to local authorities on the basis of population.

**Precept**

The amount that Surrey County Council, Surrey Police Authority, Elmbridge Borough Council and Claygate Parish Council require the Collection Fund to pay to meet the costs of their services after government grant.

**Provisions**

Amounts set aside to meet costs which are likely or certain to be incurred but are uncertain in value or timing.

**Public Works Loans Board**

A government body that provides loans to local authorities.

**Reserves**

The accumulated surplus income in excess of expenditure, which can be used to finance future spending and is available to meet unforeseen financial problems. Earmarked Reserves are amounts set aside for a specific purpose in one financial year and carried forward to meet expenditure in future years.

**Revenue Expenditure**

The day to day spending on employment costs, other operating costs (accommodation, supplies and services etc.) net of income for fees and charges etc.

**Revenue Expenditure funded from Capital Resources Under Statute**

Expenditure that can be classified as capital expenditure, but which does not result in the acquisition of an asset.

**Specific Government Grants**

Central Government financial support towards particular services which is "ring fenced", i.e. can only be spent on a specific service area or items.

## Abbreviations

ABG	Area Based Grants
BSc	Bachelor of Science
CAA	Capital Adjustment Account
CAB	Citizens Advice Bureaux
CCTV	Closed Circuit Television
CIL	Community Infrastructure Levy
CFR	Capital Financing Requirement
CIES	Comprehensive Income and Expenditure Statement
CIPFA	Chartered Institute of Public Finance and Accountancy
CPI	Consumer Price Index
CRC	Carbon Reduction Commitment
DRC	Depreciated Replacement Cost
ECIF	Elmbridge Civic Improvement Fund
EIP	Equal Instalments of Principal
EUV	Existing Use Value
FRS	Financial Reporting Standard
HMRC	Her Majesty's Revenue and Customs
IFRS	International Financial Reporting Standard
LABGI	Local Authority Business Growth Incentive
LASAAC	Local Authority (Scotland) Accounts Advisory Committee

LPSA	Local Public Service Agreement
MMI	Municipal Mutual Insurance
MRP	Minimum Revenue Provision
MTFS	Medium Term Financial Strategy
NDR	Non-Domestic Rates
PFI	Private Finance Initiative
PDG	Planning Delivery Grant
PPP	Public Private Partnership
PWLB	Public Works Loan Board
RICS	Royal Institution of Chartered Surveyors
RPI	Retail Price Index
SAC	Special Areas of Conservation
SANGS	Suitable Alternative Natural Green Space
SeRCOP	Service Reporting Code of Practice
SCC	Surrey County Council
SPA	Special Protection Areas
VAT	Value Added Tax
VFM	Value for Money
VOA	Valuation Office Agency

# Annual Governance Statement 2020/21

For the period 1 April 2020 to 31 March 2021

## 1. Scope of Responsibility

Elmbridge Borough Council is responsible for ensuring that:

- Its business is conducted in accordance with the law and proper standards, that there is a sound system of governance, appropriate controls are in place and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- This Annual Government Statement describes the key activities during 2020/21, progress against key issues raised in last year's review, summarises the main elements of the Council's governance framework and identifies key areas of focus for 2021/22.
- In discharging this overall responsibility, Elmbridge Borough Council is responsible for maintaining proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions and which includes arrangements for the management of risk.
- Elmbridge Borough Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE "Delivering Good Governance in Local Government" Framework 2016. A copy of the Council's Code is on our website or can be obtained from:

Monitoring Officer (Interim)  
Elmbridge Borough Council  
Civic Centre  
High Street  
Esher, KT10 9SD

- This statement explains how Elmbridge Borough Council has complied with the Code and also meets the requirements of the Accounts and Audit Regulations 2015, Part 2 regulation 6(1) (b) and the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 which requires all relevant authorities to prepare an annual governance statement.

## 2. The Purpose of The Governance Framework

- The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and supports its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

- The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Elmbridge Borough Council's objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.
- The governance framework has been in place at Elmbridge Borough Council for the year ended 31 March 2021 and up to the date of approval of the Annual Report and Statement of Accounts.

### **3. The Impact of Covid-19 Upon Governance from March 2020 and throughout 2020/21**

There has been a fundamental impact upon the entire range of the Council's functions and services throughout 2020/21 as a result of the Covid-19 pandemic. This has affected all the Council's business operations, the Borough's residents, and all members, staff and volunteers. Consequently, there have been wide ranging governance implications for the Council.

#### **Decision-Making**

Swift decision making was required from the beginning of the Covid-19 emergency in March 2020 in order that the Council could adapt to the changing environment and issues arising from the pandemic and to protect the functioning of the Council's business.

Robust governance arrangements were developed at the start of the pandemic, with clear reporting and escalation to ensure effective and swift decision-making in response to Covid-19 activity. A process for capturing, recording and reporting of Covid-19 costs was also put in place.

Following the national Public Health emergency with regard to Covid-19 declared on 19 March 2020, the Council's emergency response commenced immediately and both the Council's Emergency Plan and the corporate Business Continuity Plan were implemented.

An Incident Management Team (IMT) was set up that led, controlled and co-ordinated the emergency response for the Council during both the initial emergency response phase and throughout the year whilst the pandemic has remained on-going. Decisions were made by the IMT, comprising the Council Management Board and the Senior management team in a swift and timely manner.

The Council arranged formal Council meetings to be held on a virtual basis via the zoom platform from early May 2020 and these continued throughout 2020/21.

New service provision was set up to meet government requirements in respect of a range of new business grant schemes. These commenced in early April 2020 and payment of grants by the Council to local businesses totalled in excess of £40 million in 2020/21. Further government grant schemes were introduced in March 2021 and payments are being made to businesses for these grants in quarter 1 2021/22.

Decisions were made for additional services to be provided by the Council as a result of Covid-19 and these were discussed by the IMT, comprising CMB and senior management.

These have included:

- business grants to borough businesses;
- additional Council tax support benefits to residents;
- benefits paid to residents;
- a range of additional support to vulnerable residents across the Borough, including enhanced Meals on Wheels provision and support to residents who were shielding;
- housing assistance for homeless persons;
- Test and Trace payments.

Financial implications of Covid-19 were monitored throughout the year and reported to members and the Council's procurement governance arrangements remained robust throughout the Covid-19 emergency period. In addition, financial information has been provided to the Ministry of Housing Communities and Local Government (MHCLG) throughout the year.

Members have been kept informed on a regular basis by the Council Management Board and senior officers of the impact of Covid-19 throughout the pandemic. Formal Council meetings have received reports including a Cabinet report in June 2020 when a report was presented by the Strategic Director & Deputy Chief Executive regarding the Council's emergency response and the associated financial implications for the Council. Further updates have been given throughout the year and this process is ongoing.

The Strategic Director has led the recovery phase since it commenced in May 2020 and the Council Management Board receives a Covid-19 update on a weekly basis when it considers and decides upon next steps.

The recovery phase is ongoing at the present time and resources are being allocated and deployed in service areas as appropriate in accordance with the Council's plans to support residents and local businesses together with all members and staff in the appropriate manner.

New comprehensive risk assessments have been required and have been undertaken by all Heads of Service in order to assess relevant risks before staff can return to work at the Civic Centre once government restrictions allow and arrangements have been made to ensure the Civic Centre is Covid-19 secure.

Throughout the Covid-19 emergency period the Council has maintained a strong quality of service provision for the benefit of residents across the borough and has demonstrated sound management control and robust and good governance at all times.

CIPFA guidance regarding the implications and impact of the coronavirus for Local Authorities was published in April 2020 and further in February 2021. This has been taken into account in the above.

#### 4. The Governance Framework

The seven core principles of the CIPFA/SOLACE “Delivering Good Governance in Local Government” Framework 2016 are illustrated in the diagram below.



Some of the key elements of the governance framework that the Council has in place relating to these core principles are outlined below:

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

- The Council's Constitution defines the roles/responsibilities of the Cabinet (Executive), regulatory committees, the Overview & Scrutiny Committee and statutory officers and sets out how these roles are discharged and the delegations extended to officers and Members.

- Codes of Conduct are in place for members and officers and are set out in the Council's Constitution. Annual reminder is sent regarding Related Party Transactions.
- Induction for new members and staff on the standards of behaviour expected.
- Member/Officer Protocol and affirmation of relationship expectations is in place.
- Declarations of interests are made at Council Committee meetings and registers of interests and gifts and hospitality are in place. Annual reminder issued by the Monitoring Officer.
- The effective discharge of the Monitoring Officer and Head of Paid service functions are assisted by virtual meetings of the three statutory officers and with Members and by regular review of Constitutional powers.
- Whistleblowing arrangements are in place by means of a Confidential Reporting Policy to receive and investigate complaints from staff and members of the public.
- Anti-fraud and corruption incorporating anti-bribery and anti- money laundering policies in place.
- Regular staff performance reviews are in place.

**B. Ensuring openness & comprehensive stakeholder engagement.**

- There was widespread consultation involving key stakeholders including residents, partners and the third sector on the new Council Vision for 2018-2023. The Vision is set out in the Council Plan annually. Corporate performance reports are publicly available and are reported to public meetings.
- The Communications Plan and publication of the Council's Annual Report provide mechanisms for communicating with the community and other stakeholders and accountability for service delivery and outcomes.
- The "My Elmbridge" programme is in place to consult, engage and inform residents about local services. The programme includes public meetings entitled "Your Voice Matters" at which the public can engage directly with the Leader of the Council and Cabinet members. Although in the past we have had several meetings, during 2020/21 due to the Covid-19 pandemic only one virtual meeting was held in this regard in February 2021. A biannual residents survey is carried out to ensure they are happy with the Council priorities and services.
- The Council website provides a key means of communication between the Council and the public in an open and transparent form that aims to provide for comprehensive stakeholder engagement.
- The Council has engaged extensively with residents, businesses and voluntary groups during the Covid-19 pandemic in providing additional support and guidance.
- Transparency information is published on the website.

- Records of decision making are in place.
- Active use of social media and online tools to engage customers.
- Responsiveness to Freedom of Information requests is monitored by the Monitoring Officer and the Council Management Board.

**C. Defining outcomes in terms of sustainable economic, social and environmental benefits.**

- The Council Plan incorporates the Council Vision covering the five-year period from 2018-2023 and four priority areas. The Council reviews its vision and top priorities every five years. The Council’s objectives and priorities for 2021/22 were agreed in February 2021.
- The Council continues to provide support to local businesses through the Elmbridge Civic Improvement Fund. In March 2021 the scheme was amended and during 2020/21 both ECIF, Elmbridge Start-up Fund and Elmbridge Digital High Street Fund grants were paid to a range of local businesses including for social distancing measures in respect of COVID-19.
- The Council has a robust Performance Management framework in place as illustrated below.



- The Council Vision set for 2018-2023 is supported by four top priorities determined by resident consultation and agreed by Members. The priorities are checked annually against residents’ survey results.

- For 2020/21 the Vision and Top Priorities were as set out below:

**Vision 2018-23**  
 A responsive and effective Council, protecting and promoting the interests of residents and businesses and safeguarding our environment, while maintaining a community for all.

<p><b>Character &amp; Environment</b></p> <p>We will make Elmbidge a sustainable and attractive place.</p>	<p><b>Quality Services</b></p> <p>We will work in partnership to ensure services are efficient, effective and offer value for money.</p>	<p><b>Economic Development</b></p> <p>We will facilitate economic growth, including improved infrastructure and housing.</p>	<p><b>Community Wellbeing</b></p> <p>We will listen to all of our residents and support communities to become healthier, empowered and safe.</p>	<p><b>Climate Change</b></p> <p>We will respond to the climate change emergency and aim to make Elmbidge carbon neutral by 2030</p>
--	--	--	--	---

- The Council objectives are developed from the Vision and Top Priorities and are set out in the annual Council Plan.
- Council objectives for 2020/21 were undertaken to achieve the Council Vision. The objectives are grouped by the 2020/21 priorities and are linked to the Cabinet portfolios.
- Risk management strategy and policy is in place.
- Strategic Risk Register is monitored by the Council Management Board.
- During 2020/21 quarterly performance monitoring reports were presented to the Council Management Board, the Performance and Finance Panel and Cabinet against the 2020/21 Council objectives, top priorities and the basket of performance indicators.
- The final report on the Council’s performance in 2020/21 against the Council Plan 2020/21 was submitted to Cabinet on 9 June 2021. The link can be found here: [2020/21 Performance Monitoring - Q4 and year-end](#)

Council performance indicators met in 2020/2021 included:

☐	☐	i) → Performance indicator: Number of households in all forms of temporary accommodation: Outcome: 50 against a target of 58 (good to be low)¶¶
☐		→ ii) → Performance indicator: Percentage of household waste sent for recycling (Joint Waste Contract Service Objective Standard)¶ → Outcome: 24.9% against a target of 20% (good to be high)¶¶
☐		iii) → Performance indicator: Days taken to process HB/CTB new claims¶ → Outcome: 2.5 against a target of 9 (good to be low)¶¶

❑	iv) → Performance indicator: number of external customer complaints recorded about green spaces and verges¶ Outcome: → 3 against a target of 30 (good to be low).¶
❑	v) → Performance indicator: Percentage of planning applications processed in 13 weeks: major applications.¶ Outcome: → 95% achieved against a target of 83% (good to be high).¶

These outcomes were achieved despite the affect of the Covid-19 pandemic.

Outcomes of other Council performance indicators in 2020/2021 included:

❑	i) → Performance indicator: → Number of affordable homes delivered¶ Outcome: 90 households against a target of 100 (good to be high).¶
❑	ii) → Performance indicator: Percentage of Council Tax collected - current year only¶ → Outcome: 98.4% against a target of 98.5% (good to be high)¶
❑	iii) → Performance indicator: Percentage of Non-Domestic Rates collected - current year only.¶ Outcome: 94.6% against a target of 98.4% (good to be high).¶

**D. Determining the interventions necessary to optimize the achievement of the intended outcomes.**

- In February 2021 recommendations were made regarding the Medium Term Financial Strategy that is in place, reviewed and published annually.
- Service planning continues in place.
- Feedback from citizens through a biannual residents' panel survey that enables consultation to ensure a high standard of customer service is delivered and that they are happy with the Council priorities and services.
- Feedback from residents and businesses through the annual Community Safety Survey that feeds into the development of the Elmbridge Community and Safety Partnership plans.
- Overview and Scrutiny Committee scrutinised Portfolio Holders, examined Council performance and future plans. The Overview and Scrutiny annual report was approved by Council in April 2021.
- Regular meetings held between Council Management Board lead members and Portfolio holders.
- EBC Homes Ltd became further established during 2020/2021 to deliver an increase in the supply of affordable housing.
- Performance Management framework contains Key Performance Indicators to measure performance of services.

- Organisational development framework in place includes continuous performance reviews, one to ones and clear job descriptions.

**E. Developing the entity's capacity, including the capability of its leadership and the individuals within it.**

- The Learning and Development Programme is established incorporating mandatory e-learning and comprising a wide range of training opportunities including Management training and Managers Conferences.
- Regular staff development training in place.
- Members development training programme in place.
- An established and further refreshed Performance Review framework that incorporates an annual performance review for all staff.
- Staff briefing sessions by Council Management Board held three times during the year.
- Compliance with CIPFA's guidance regarding the role of the Chief Financial Officer.

**F. Managing risks and performance through robust internal control and strong public financial management.**

- The Council has a Risk Management Strategy and strategic and operational risk registers in place, which are reviewed regularly.
- The Council's Strategic Risk Register is reviewed annually and links to the Council's top priorities and strategic objectives.
- Meetings held virtually with the Head of Paid Service, the Monitoring Officer and the Section 151 Officer.
- An annual Internal Audit Plan is approved by Audit and Standards committee. An Internal Audit Annual report and regular progress reports are presented to the Audit and Standards committee. For 2020/21 internal audit completed 18 audit reviews. Progress against management actions in audit reports is monitored.
- Data Protection Act 2018 requirements adhered to for managing data led by the Data Protection Officer (DPO). No significant information security breaches occurred in 2020/21.
- Implementation of the requirements of the General Data Protection Regulation in May 2018 monitored by the Information Governance Group (IGG) during 2020/21 and reported to the Council Management Board. The IGG Action Table captures outstanding actions.
- Treasury Management performance reports provided to Audit and Standards Committee.

**G. Implementing good practices in transparency, reporting, and audit, to deliver accountability.**

- The Audit and Standards Committee has defined roles and responsibilities and undertakes core functions in accordance with relevant CIPFA guidance.
- The External Audit Annual report is submitted to the Audit and Standards Committee.
- The Head of Internal Audit has direct access to the Chair of Audit and Standards Committee.
- Management has taken appropriate steps to address those areas where management actions have been raised and these have been followed up with relevant senior management. This will be reported to the Audit and Standards Committee in the Internal Audit Annual Report 2020/21 in June 2021.
- Annual financial statements include a narrative summary on the Council's performance during the year as well as reporting the financial position.
- The Audit and Standards Committee has direct access to the Council's external auditors.

**5. Review of Effectiveness**

Elmbridge Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. This review of effectiveness is informed by:

- The work of the Council Management Board and senior managers within the authority who have responsibility for the development and maintenance of the governance environment;
- The Council's risk management framework;
- the Audit and Standards Committee internal audit progress reports;
- comments made by the external auditors and other review agencies and inspectorates;
- The Head of Internal Audit Partnership's Opinion Statement is taken from the Head of Internal Audit's annual report that will be reported to the Audit and Standards Committee in September 2021.
- The Head of Internal Audit Partnership's Opinion Statement:

***“The overall opinion is that the Council's internal control environment is adequate and effective. This is based on the work undertaken by Internal Audit for 2020/21.***

***Agreed management actions arising from Internal Audit work have been reported to senior management and the Council Management Board and I am satisfied that management has undertaken to address any control weaknesses.”***

This assurance is given despite the impact of the Covid-19 pandemic upon the Council.

The effectiveness of the governance framework has been evaluated by:

- The completion of Annual Assurance Statements by all Heads of Service as at 31 March 2021. All statements were returned with no issues highlighted.
- An Internal Audit Corporate Governance assurance review.
- It is confirmed that the Council's Local Code of Corporate Governance is in place and accords with the principles of the CIPFA/SOLACE "Delivering Good Governance in Local Government Framework" 2016.
- The key financial systems audited that feed into the Council's financial statements have reasonable controls in place and have been given a "substantial" assurance opinion.

A significant emerging risk in the 2020/21 year was the administration of business grants by the Council on behalf of the Department for Business, Energy and Industrial Strategy (BEIS). Internal Audit provided considerable resource in the year to assist with the verification of grant payments. This included an assurance plan reported to BEIS confirming effective arrangements in place for administering the grants.

It should be noted that:

- A follow-up review was undertaken in September 2020/21 with regard to Community Support Services. The result of this review was satisfactory, and the majority of management actions had been addressed.
- Further audit work is planned for 2021/22 to complete this review once the service's functions have fully re-opened after the current COVID -19 restrictions are lifted.

Conformance with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016)

CIPFA published an updated CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016) in June 2016.

The Council's financial management and assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016) for the year ended 31 March 2020.

The Chief Financial Officer of the Council is the Strategic Director & Deputy Chief Executive and is the Council's Section 151 Officer (from section 151, Local Government Act 1972).

Conformance with the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption.

CIPFA published the Code of Practice "Managing the Risk of Fraud and Corruption" in 2014. The Council has adopted an approach that is appropriate for its fraud & corruption risks and commits to maintain its vigilance to tackle fraud.

## **6. Outcomes, Value for Money and Improvements During the Year**

The Audit and Standards Committee received the Council's appointed External Auditor's (Grant Thornton) Audit Findings for 2019/20 in November 2020. This report contained an unqualified opinion on the 2019/20 financial statements and a Value for Money conclusion confirming that the Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The Council started the 2020/21 financial year in a good financial position and in February 2021 the Medium Term Financial Strategy and an Action Plan with regard to recommendations made were agreed.

During 2020/21 improvements have been made to the Council's arrangements and matters identified in 2019/20 have been addressed as follows:-

- i) The Council's improvement was monitored on an ongoing basis by the Council Management Board and the work of corporate improvement groups continued across the Council in 2020/21 in this regard.
- ii) The Council has strengthened its arrangements with regard to the following:

Safeguarding:

- The Adult Safeguarding Policy and the Children's Safeguarding Policy remain established and embedded as part of the Council's safeguarding arrangements.
- Mandatory safeguarding training was maintained for staff in 2020/21 and training for Members is planned for 2021/22.

Business Continuity & Emergency Planning:

- A revised Emergency Plan and Corporate Business Continuity Plan were approved during the year.

Health and Safety:

- The Council's has a comprehensive range of Health and Safety policies and procedures that have been revised and approved.

Information Governance:

The Information Governance framework and arrangements were defined and strengthened by:

- Monitoring of requirements of the General Data Protection Regulation effective from 25 May 2018 undertaken by the Information Governance Group throughout the year.
- Information governance training was maintained for both new and existing staff and Members and adapted to deliver remotely and interactively.
- The review and update of the information security policies to take account of remote working.
- the Senior Information Risk Owner continued to receive regular updates from the DPO regarding Information Governance matters.

Direction of Travel

The overall direction of travel by the Council is one of strengthening and of continuous improvement in key areas with governance matters addressed in a timely manner during 2020/21 as described above. This has been achieved despite the extremely challenging circumstances faced by the Council due to the COVID-19 pandemic.

## **7. Governance and Assurance Summary**

Good governance is about doing things properly. It is the means by which the Council demonstrates that it is taking decisions for the good of the people in Elmbridge in an open and equitable way. It recognises the standard of behavior that supports good decision-making. It is the foundation for the delivery of good quality services and fundamental to showing that public money is well spent.

On the basis of the Annual Assurance Statements received from Heads of Service for the period relating to 31 March 2021 and the corporate governance health check undertaken by Internal Audit, there is no matter that is of a significant governance nature for 2020/21.

The review of the Council's system of governance and internal control overall has not identified significant weaknesses.

Governance arrangements regarding the implications of Covid-19 and the Council's emergency response and recovery phase have been found to be robust. There are no significant governance issues to report in this regard.

This will be further reported upon in the Annual Governance Statement for 2021/22 in May 2022.

We confirm, to the best of our knowledge, that this statement provides an accurate and fair view of the Council's operations and governance framework.

We propose over the coming year to continue to further improve and enhance our governance arrangements. We will continue to monitor improvements and enhancements made as part of our next annual review.

Signatures: \_\_\_\_\_ Date: \_\_\_\_\_  
                  Leader of the Council

                  \_\_\_\_\_ Date: \_\_\_\_\_  
                  Chief Executive