

Supplementary Agenda

Audit & Governance Committee



Date & time
Monday, 5
December 2016 at
10.00 am

Place
Ashcombe Suite,
County Hall, Kingston
upon Thames, Surrey
KT1 2DN

Contact
Angela Guest
Room 122, County Hall
Tel 020 8541 9075

Chief Executive
David McNulty

angela.guest@surreycc.gov.uk

SUPPLEMENTARY AGENDA

The following papers were not available for dispatch with the main agenda. Please bring these to the meeting with you.

- 10 2015/16 AUDIT FINDINGS REPORT FOR SE BUSINESS SERVICES AND HALSEY GARTON** (Pages 1 - 30)

This report provides the Audit & Governance Committee with the outcome and findings of the external audit of the 2015/16 financial statements of S. E. Business Services Ltd and Halsey Garton Ltd.

The accounts for both companies are attached to the supplementary agenda.

- 11 TREASURY MANAGEMENT HALF YEAR REPORT 2016/17** (Pages 31 - 32)

This report summarises the council's treasury management activity and the council's Prudential and Performance Indicators for the first half of 2016/17.

The Risk Register attached to the supplementary agenda has been amended and replaces the previous one sent with the main agenda.

David McNulty
Chief Executive
Published: 1 December 2016

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S.E. Business Services Limited

**Company Registration Number:
08578463
(England and Wales)**

**Report of the Directors and
Audited Financial Statements**

**Period of accounts
Start date: 01 April 2015
End date: 31 March 2016**

**S.E. Business Services Limited
Contents of the Financial Statements
for the Period Ended 31 March 2016**

	Page
Company Information	3
Report of the Directors	4 to 5
Audit Report	6 to 7
Profit and Loss Account	8
Balance Sheet	9
Statement of Changes in Equity	10
Notes to the Financial Statements	11 to 14

**S.E. Business Services Limited
Company Information
for the Period Ended 31 March 2016**

Directors:

E Mills
L Langstaff
S Ruddy

Registered office:

County Hall
Penrhyn Road
Kingston Upon Thames
Surrey
KT1 2DN

Company Registration Number: 08578463 (England and Wales)

Ultimate Parent:

Surrey County Council
County Hall
Penrhyn Road
Kingston Upon Thames
Surrey
KT1 2DN

**S.E. Business Services Limited
Report of the Directors
for the Period Ended 31 March 2016**

The directors present their report with the financial statements of the company for the period ended 31 March 2016.

Principal activities

The principal activities of the company in the period under review were:
Professional Business Services including IT managed services, data centre hosting and fire and rescue resilience services.

Directors

The directors shown below have held office during the whole of the period from 01 April 2015 to 31 March 2016.

E Mills

The following directors were appointed during the period:

L Langstaff	(19/11/2015)
S Ruddy	(01/03/2016)

The Following directors resigned during the period:

J Stebbings	(04/01/2016)
P Brocklehurst	(16/03/2016)

Political and charitable donations

None.

Company policy on the employment of disabled persons

It is the company's policy to give employment to disabled persons wherever practicable and to make all reasonable adjustments to enable a person with a disability to perform to their highest ability.

Directors' responsibilities statement

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under Company law the directors must not approve the financial statements unless satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;

- make judgments and accounting estimates that are reasonable and prudent, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Provision of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditor in connection with preparing its report and to establish that the company's auditor is aware of that information.

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

In preparing this report, the directors have taken advantage of the small companies exemptions provided by part 15 of the Companies Act 2006.

This report was approved by the board of directors on 21.11.16

And Signed On Behalf Of The Board By:

Name:

E R MILLS

Ellie

S Roddy
S. Roddy

Status:

DIRECTOR

DIRECTOR



Independent auditor's report to the members of S. E. Business Services Limited

We have audited the financial statements of S. E. Business Services Limited for the year ended 31 March 2016 which comprise the profit and loss account, the balance sheet, the statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company'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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' responsibilities statement set out on pages 4 and 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Independent auditor's report to the members of S. E. Business Services Limited (continued)

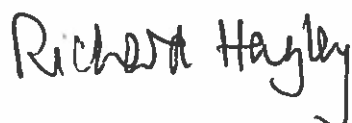
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors 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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- The directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a Strategic Report or in preparing the Report of the Directors.



Richard Hagley

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

London

Date: 21 November 2016

S.E. Business Services Limited

Profit and Loss Account

for period ended 31 March 2016

	Note	2016 £	2015 £
Turnover		1,646,601	1,919,490
Cost of sales	4	<u>(1,056,302)</u>	<u>(1,406,261)</u>
Gross profit		590,299	513,229
Administrative expenses		<u>(142,022)</u>	<u>(104,473)</u>
Operating profit		448,277	408,756
Interest Payable and Similar Charges	7	<u>(606)</u>	<u>(2,346)</u>
Profit on ordinary activities before taxation		447,671	406,410
Tax on Profit on ordinary activities	8	<u>53,717</u>	<u>(85,346)</u>
Profit for the financial year	6	<u>501,388</u>	<u>321,064</u>

The notes form part of these financial statements.

S.E. Business Services Limited

Balance Sheet

as at 31 March 2016

	Note	2016	2015
		£	£
Current Assets			
Debtors	10	134,276	368,180
Cash at bank and in hand		<u>671,288</u>	<u>325,711</u>
		805,564	693,891
Creditors: amounts falling due within one year	11	(235,354)	(225,070)
		<u>(235,354)</u>	<u>(225,070)</u>
Net current assets		<u>570,210</u>	<u>468,821</u>
Net assets		<u>570,210</u>	<u>468,821</u>
Capital and Reserves			
Called up equity and share capital	12	1	1
Profit and loss account		<u>570,209</u>	<u>468,820</u>
		<u>570,210</u>	<u>468,821</u>

The financial statements were approved by the Board of Directors on 21.11. 2016

Signed on behalf of the board of directors:




Director
Company Registration no: 08578463

The notes form part of these financial statements.

S.E. Business Services Limited
Statement of Changes in Equity
for the year ended 31 March 2016

	Share Capital	Non distributable reserve	Profit and loss Account	Total
	£	£	£	£
At 31 March 2014	1	-	147,756	147,757
Profit and total comprehensive income for the year	-	-	321,064	321,064
Issue of shares	-	-	-	-
Dividends paid	-	-	-	-
At 31 March 2015	1	-	468,820	468,821
Profit and total comprehensive income for the year	-	-	501,388	501,388
Issue of shares	-	-	-	-
Dividends paid	-	-	(400,000)	(400,000)
Group Tax Relief	-	145,533	(145,533)	-
At 31 March 2016	1	145,533	424,675	570,210

The notes form part of these financial statements.

S.E. Business Services Limited
Notes to the Financial Statements
for the year ended 31 March 2016

1. Company Information

S.E. Business Services Limited is a private Company, limited by shares, domiciled in England and Wales, Company Registration no: 08578463. The registered office is County Hall, Penrhyn Road, Kingston Upon Thames, Surrey, KT1 2DN.

2. Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 Section 1A Small Entities, and with the Companies Act 2006. There have been no material departures from this standard.

The financial statements have been prepared on the historical cost basis.

This is the first year in which the financial statements have been prepared under FRS 102. Note 14 provides an explanation of the impact of the transition.

The Financial Statements are presented in Sterling (£).

2.1 Going Concern

S.E. Business Services has considerable financial resources together with long term contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that S.E. Business Services is well placed to manage its business risks successfully.

After reviewing S.E. Business Services forecast and projections, the directors have a reasonable expectation that S.E. Business Services Limited has adequate resources to continue in operational existence for the foreseeable future. S.E. Business Services Limited therefore continues to adopt the going concern basis in preparing its financial statements.

3. Accounting Policies

3.1 Turnover

The turnover shown in the profit and loss account represents revenue earned during the period, exclusive of VAT.

3.2 Recognition of income and expenditure

Revenue (income) from the sale of goods and provision of services is recognised when S.E. Business Services transfers the goods or completes the delivery of a service.

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 income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet.

3.3 Non Distributable Reserves

Unusable reserves are created when the Company sets aside specific amounts as reserves for future policy purposes or to cover contingencies. These reserves are created by appropriating amounts out of the Profit and Loss Account in the Statement of changes in Equity.

The Unusable reserves act as a working contingency to meet unforeseen and unforeseeable costs including those relating to emergencies.

4. Cost of Sales and Staff Costs

	2016	2015
	£	£
Cost of Sales	841,465	1,113,414
Wages and Salaries	205,439	270,425
Social Security Costs	7,301	13,478
Pension Costs	2,097	8,944
	<u>1,056,302</u>	<u>1,406,261</u>

S.E. Business Services has two full time employees, one of whom was enrolled in a National Employment Savings Trust (NEST) pension scheme. Contributions payable are recognised in the profit and loss account when due. A third full-time employee left S.E. Business Services in October 2015, this position is currently being filled by a contractor. All other employees are engaged on a part-time basis. The company has three directors who were unpaid.

5. Average number of Employees

During 15/16 the average number of employees was 55. In 14/15 this was 42, this is because the HAL contract was not fully resourced until January 2015.

6. Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after:

Auditor's Remuneration:

	2016	2015
	£	£
Audit Fees	16,500	15,000
Audit expenses	-	504
Tax Compliance services	1,425	0
	<u>17,925</u>	<u>15,504</u>

7. Interest Payable and Similar Charges

Interest was payable on an intragroup loan between S.E. Business Services and Surrey County Council.

	2016	2015
	£	£
Interest on Loan	457	2,267
Misc Bank charges	149	79
	<u>606</u>	<u>2,346</u>

8. Taxation

The tax (credit)/charge on the profit on ordinary activities for this period was as follows:

	2016	2015
	£	£
UK Corporation Tax	(53,717)	85,346
Deferred Tax		-
Tax on profit on ordinary activities	<u>(53,717)</u>	<u>85,346</u>
Profit on ordinary activities before taxation	<u>447,671</u>	<u>406,410</u>
Rate of tax for period	20%	21%
Profit on ordinary activities before taxation multiplied by the rate of tax for period	89,534	85,346
Expenses not deductible to tax purposes	644	-
Accelerated capital allowances		-
Adjustments in respect of prior periods	1,638	-
Group Tax Relief Current Year	(90,178)	
Group Tax Relief Prior Year	(55,355)	
Current tax (credit)/charge	<u>(53,717)</u>	<u>85,346</u>

9. Loans and Overdraft

An intragroup loan of £100,000 was provided by Surrey County Council to S.E. Business Services Limited. This was repaid in full on 6 November 2015.

10. Debtors

	2016	2015
	£	£
Trade Debtors	35,417	299,423
VAT	-	25,174
Corporation Tax refund	55,355	-
Prepayments and accrued income	43,504	43,583
	<u>134,276</u>	<u>368,180</u>

All amounts are due within one year

11. Creditors

	2016	2015
	£	£
Corporation Tax	-	85,346
VAT	22,139	-
Deferred Income	20,848	34,155
Loan	-	-
Trade Creditors	192,367	105,569
	<u>235,354</u>	<u>225,070</u>

All amounts are due within one year

12. Called Up Share Capital

Allotted and called up

Class	Number of Shares	Nominal Value per Share	Total
Ordinary	1	1	1

The authorised share capital of S.E. Business Services Limited consists of 100 ordinary shares with a nominal value of £1, of which 1 ordinary share has been issued at par.

13. Related Party Disclosures

S.E. Business services is a 100% subsidiary of Surrey County Council, which is the ultimate controlling party. S.E Business services paid a Dividend of £400,000 to Surrey County Council on 10 June 2015. Surrey County Council consolidates S.E. Business Services into their group accounts.

14. Transition to FRS 102

No restatements were required as a result of the S.E. Business Service adopting FRS 102 for the year ended 2016.

HALSEY GARTON GROUP

Report and consolidated financial statements

Year ended 31 March 2016

Contents

	Page
Report of the directors	3 – 4
Independent auditor's report	5 – 6
Consolidated profit and loss account	7
Consolidated balance sheet	8
Consolidated statement of changes in equity	9
Notes to the financial statements	10 – 16

Report of the directors for the year ended 31 March 2016

The directors present their report with the consolidated financial statements of the group for the year ended 31 March 2016.

Principal activities

The principal activities of the group in the period under review were investment and property rental.

Directors

The directors shown below have held office during the whole of the year from 1 April 2015 to 31 March 2016.

S Smyth
J Stebbings

Political and charitable donations

None.

Business model

Halsey Garton group comprises Halsey Garton Property Ltd and three property subsidiary companies as set out in the diagram below. Halsey Garton Residential Ltd and Halsey Garton Property Developments Ltd are not yet active or trading.



Consolidated financial statements

The consolidated financial statements and supporting notes on pages 7-16 include the results for all Halsey Group companies as listed above.

Statement of directors' responsibilities

The directors are responsible for preparing the Report of the directors and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under Company law the directors must not approve the financial statements unless satisfied that they give a true and fair view of the state of affairs of the group and of the profit or loss of the group for that period. In preparing these consolidated financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Provision of information to auditor

Each of the persons who are directors at the time when this Report of the directors is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the group's auditor is unaware; and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the group's auditor in connection with preparing its report and to establish that the group's auditor is aware of that information.

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

In preparing this report, the directors have taken advantage of the small companies exemptions provided by part 15 of the Companies Act 2006.

This report was approved by the Board on ~~18/11/2016~~ and signed on its behalf by:



Susan Smyth, Director



John Stebbings, Director

Independent auditor's report to the members of Halsey Garton Property Limited

We have audited the financial statements of Halsey Garton Property Limited for the year ended 31 March 2016 which comprise the consolidated profit and loss account, the consolidated balance sheet, the consolidated statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the group'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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of directors responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's affairs as at 31 March 2016 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the directors 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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the group, or returns adequate for our audit have not been received from branches not visited by us; or
- the group financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or

Independent auditor's report to the members of Halsey Garton Group (continued)

- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a Strategic Report or in preparing the Report of the directors.

Richard Hagley

Richard Hagley
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants

London

Date: *18 November 2016*

Consolidated profit and loss account

for year ended 31 March 2016

	Note	2016 £	<i>Restated</i> 2015 £
Turnover		295,702	0
Cost of sales		(30,285)	0
Gross profit		<u>265,417</u>	<u>0</u>
Administrative expenses	7	(54,576)	(15,853)
Other operating income		0	0
(Loss) from changes in fair value of investment property	10	(358,619)	0
Operating (loss)		<u>(147,778)</u>	<u>(15,853)</u>
Other interest receivable and similar income		72	0
Interest payable and similar charges	8	(242,382)	0
(Loss) on ordinary activities before taxation		<u>(390,088)</u>	<u>(15,853)</u>
Tax on loss on ordinary activities	9	74,186	1,981
(Loss) for the financial year		<u>(315,902)</u>	<u>(13,872)</u>

Consolidated balance sheet

as at 31 March 2016

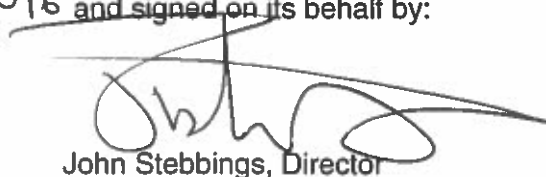
	Note	2016 £	<i>Restated</i> 2015 £
Long term assets			
Investment property	10	10,691,121	0
Debtors	11	126,822	0
Total long term assets		<u>10,817,943</u>	<u>0</u>
Current assets			
Debtors	11	106,639	2,981
Investments		650,000	0
Cash at bank and in hand		599,983	0
Total current assets		<u>1,356,622</u>	<u>2,981</u>
Creditors: amounts falling due within one year	12	(95,907)	(15,853)
Net current assets/(liabilities)		<u>1,260,715</u>	<u>(12,872)</u>
Total assets less current liabilities		<u>12,078,658</u>	<u>(12,872)</u>
Creditors: amounts falling due after one year	13	(9,865,432)	0
Net assets/(liabilities)		<u>2,213,226</u>	<u>(12,872)</u>
Capital and Reserves			
Share capital		2,543,000	1,000
Fair value reserve	14	(275,845)	0
Profit and loss account		(53,929)	(13,872)
Total equity attributable to owners of the parent company		<u>2,213,226</u>	<u>(12,872)</u>

The dormant subsidiaries Halsey Garton Residential Ltd and Halsey Garton Property Developments Ltd are exempt from the requirement to prepare and file accounts under sections 394(A) and 448(A) of the Companies Act 2006.

Approved by the Board on 18/11/2016 and signed on its behalf by:



Susan Smyth, Director



John Stebbings, Director

Consolidated statement of changes in equity
for the year ended 31 March 2016

	Note	Share capital £	Profit and loss account £	Fair value reserve £	Total £	
Balance at 1 April 2014		0	0	0	0	<i>Reported previously</i>
Issue of shares	7	1,000	0	0	1,000	<i>Restated</i>
(Loss) for the year	7	0	(13,872)	0	(13,872)	<i>Restated</i>
Balance at 31 March 2015	7	1,000	(13,872)	0	(12,872)	<i>Restated</i>
Issue of shares		2,542,000	0	0	2,542,000	
(Loss) for the year		0	(315,902)	0	(315,902)	
Transfer to fair value reserve	14	0	275,845	(275,845)	0	
Balance at 31 March 2016		2,543,000	(53,929)	(275,845)	2,213,226	

Notes to the financial statements

for the year ended 31 March 2016

1. Company information

Halsey Garton group comprises Halsey Garton Property Ltd and three property subsidiary companies as set out on page three of this report. All four companies are private companies, limited by shares, and domiciled in England and Wales. The registered offices are County Hall, Penrhyn Road, Kingston Upon Thames, Surrey, KT1 2DN.

2. Basis of preparation

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard (FRS) 102 Section 1A small entities, and with the Companies Act 2006. There were no material departures from this standard.

The financial statements have been prepared on a historical cost basis.

This is the first year in which the financial statements have been prepared under FRS 102. Refer to note 19 for an explanation of the impact of the transition.

The Financial statements are presented in sterling (£).

3. Going concern

After reviewing the group's forecast and projections, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. The group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

4. Accounting policies

4.1 Basis of consolidation

The consolidated financial statements present the results of Halsey Garton Property Ltd and its subsidiaries ("the group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

4.2 Turnover

The turnover shown in the profit and loss account represents rents and income from other property services earned during the period, exclusive of VAT.

4.3 Recognition of income and expenditure

Revenue (income) from rents and other property related services, is recognised when the property or service is provided, rather than when payments are received.

Expenses in relation to services received 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 income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet.

4.4 Investment properties

Investment property is initially measured at cost, including transactions costs. Investment property is carried at fair value determined annually by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in profit or loss and transferred to the fair value reserve.

4.5 Loans between group companies

Loans between group companies are measured at amortised cost.

4.6 Leased assets – lessor

Rent received under operating leases is credited to profit and loss on a straight line basis over the term of the lease. Incentives for the agreement of a new or renewed operating lease are recognised as a reduction in the rental income over the lease term, irrespective of the incentive's nature or form, or the timing of any payments.

5. Judgements in applying accounting policies and key sources of uncertainty

In preparing these financial statements, the directors have made the following judgements:

- Determined whether leases entered into by the company are operating or lease or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Investment properties are professionally valued annually using a yield methodology. This uses market rental values capitalised at a market capitalisation rate but there is an inevitable degree of judgement involved in that each property is unique and value can ultimately only be reliably tested in the market itself.

6. Average number of persons employed

During the year the group did not employ any persons directly.

7. Prior year adjustment

The prior year financial statements showed a nil profit and loss account and balance sheet as the group had not purchased any properties nor commenced trading. When the group commenced trading in November 2015 its ultimate parent organisation, Surrey County Council, charged for initial company set up costs and professional fees incurred on an abortive property purchase. Some of these costs were incurred during the preceding financial year which therefore necessitates prior year adjustment to these accounts.

Halsey Garton group

The founding share capital of Halsey Garton Property Ltd of £1,000 is also recognised as at 31 March 2015, with a corresponding debtor recorded in the balance sheet. The corrections are detailed in the tables below.

Profit and loss account

	Originally stated 2015 £	Restated 2015 £	Amount of restatement £
Administrative expenses	0	(15,853)	(15,853)
Tax on profit on ordinary activities	0	1,981	1,981
(Loss) for the financial year	0	(13,872)	(13,872)

Balance sheet

	Originally stated 2015 £	Restated 2015 £	Amount of restatement £
Current assets			
Debtors	0	2,981	2,981
Creditors	0	(15,853)	(15,853)
Net assets/(liabilities)	0	(12,872)	(12,872)
Called up share capital	0	1,000	1,000
Profit and loss account	0	(13,872)	(13,872)
Total equity attributable to owners of the parent company	0	(12,872)	(12,872)

8. Interest payable and similar charges

Interest was payable on an intragroup loan between Surrey County Council and Halsey Garton Property Ltd.

	2016 £	2015 £
Interest on loan	242,332	0
Bank charges	50	0
	242,382	0

9. Taxation

The tax charge/(credit) on the loss on ordinary activities for this period was as follows:

	2016 £	2015 £
UK Corporation tax	8,588	0
Deferred tax	(82,774)	(1,981)
Tax on loss on ordinary activities	(74,186)	(1,981)

Halsey Garton group

10

Factors affecting the tax charge/(credit)	2016 £	2015 £
(Loss) on ordinary activities before taxation	(390,088)	(15,853)
Rate of tax for period	20%	20%
(Loss) on ordinary activities before taxation multiplied by the rate of tax for period	(78,018)	(3,171)
Expenses not deductible to tax purposes	3,832	1,190
Tax on loss on ordinary activities	<u>(74,186)</u>	<u>(1,981)</u>
Deferred tax	2016 £	2015 £
Unrelieved tax losses	0	(1,981)
(Losses) on revaluation	(82,774)	0
Deferred tax charge/(credit)	<u>(82,774)</u>	<u>(1,981)</u>

10. Long term assets – investment property

The group's investment properties are valued annually on 31 March at fair value, determined by an independent, professionally qualified valuer. The valuations are undertaken in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual. Details on the assumptions made and the key sources of estimation uncertainty are given in note 5.

The deficit on revaluation of investment property arising of £358,619 as at 31 March 2016 has been debited to the profit and loss for the year and transferred to the fair value reserve.

	2016 £	2015 £
Fair value at 1 April 2015	0	0
Additions	11,049,740	0
Disposals	0	0
Net gains or losses from fair value adjustments	(358,619)	0
Fair value at 31 March 2016	<u>10,691,121</u>	<u>0</u>

11. Debtors

	2016 £	2015 £
<i>Debtors due after more than one year</i>		
Accrued income – unamortised lease incentive	126,822	0
Sub-Total	<u>126,822</u>	<u>0</u>
<i>Debtors due within one year</i>		
Amounts owed by parent company	67	1,000
Deferred tax asset	84,755	1,981
Trade debtors	0	0
VAT	9,876	0
Other debtors	11,941	0
Sub-Total	<u>106,639</u>	<u>2,981</u>
Total	<u>233,461</u>	<u>2,981</u>

All amounts shown fall due for payment within one year except for the unamortised lease incentive which is due in accordance with the terms of the lease.

12. Creditors: amounts falling due within one year

	2016 £	2015 £
Amounts owed to parent company	42,210	15,853
Corporation tax	8,588	0
Deferred Income	0	0
Trade Creditors	33,897	0
VAT	0	0
Other creditors	11,212	0
	<u>95,907</u>	<u>15,853</u>

Other creditors falling due within one year include £9,200 for auditor's remuneration.

13. Creditors: amounts falling due after more than one year

	2016 £	2015 £
Amounts owed to parent company	9,865,432	0
Bank loans and overdrafts	0	0
Corporation Tax	0	0
Trade Creditors	0	0
Other creditors	0	0
	<u>9,865,432</u>	<u>0</u>

An intragroup loan of £9,865,432 has been provided by Surrey County Council during the year. This is a maturity loan at an interest rate of 6% due to be repaid in full by 4 November 2025. The carrying amount as at 31 March 2016 is included at amortised cost.

14. Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of investment property assets until they are sold or an asset is impaired. It also includes any associated deferred tax asset or liability arising on revaluation of these investments. The reserve is used to distinguish unrealised profits/(losses) from realised profits/(losses) which are held in the profit and loss account.

	Fair value reserve	
	2016	2015
	£	£
Reserve at 1 April 2015	0	0
Fair value adjustments	(358,619)	0
Deferred tax asset for loss on revaluation	82,774	0
Reserve at 31 March 2016	(275,845)	0

15. Deferred tax

	2016	2015
	£	£
Opening balance at 1 April 2015	1,981	0
Deferred tax asset for unrelieved tax losses	0	1,981
Deferred tax asset for loss on revaluation	82,774	0
Closing balance at 31 March 2016	84,755	1,981

The deferred tax asset arising on revaluation of investments of £82,774 as at 31 March 2016 has been credited to the profit and loss for the year and transferred to the fair value reserve.

16. Leases

The minimum lease payments due to Halsey Garton group under non-cancellable leases in future years are:

	2016	2015
	£	£
Not later than one year	248,631	0
Later than one year but not later than five years	2,468,412	0
Later than five years	7,641,999	0
	10,359,042	0

17. Related party disclosures

Halsey Garton group is 100% owned by Surrey County Council, the ultimate controlling party. Surrey County Council draws up consolidated financial statements for the group and its principal place of business is also County Hall, Penrhyn Road, Kingston Upon Thames, Surrey, KT1 2DN. No dividends were paid or payable during the period.

18. Post balance sheet events

Between 1 April 2016 and the date of approval of these accounts the group bought additional investment properties as highlighted below. Capital expenditure of £41,121 on professional fees related to the purchases is included in these accounts within long term assets – investment property and measured at cost until the properties are revalued by a professional valuer as at 31 March 2017. This expenditure was incurred prior to 31 March 2016 and had the purchases not successfully completed it would be recorded in the profit and loss account. The balance of expenditure on the purchases, and associated financing provided by Surrey County Council, will be recorded in the 2016/17 annual accounts.

	£'m
Bristol	11.9
Worksop	9.0
Redditch	7.9
Aztec West	21.1
Salford	8.2
Stratford	9.8
Loughborough	20.1
Worcester	12.6
	<u>100.6</u>

The referendum on the United Kingdom's membership of the European Union took place on 23 June 2016. The decision to leave the European Union has increased political and economic uncertainty. The full impact of the result on the Halsey Garton group will become clearer over the next couple of years and no adjustments have been made to these accounts.

19. Transition to FRS 102

There were no restatements required as a result of the group adopting FRS 102 for the year ended 2016.

Risk Group	Risk Ref.	Risk Description	Impact			Likelihood	Total Risk Score	Mitigation actions
			Financial	Reputation	Total			
Financial	1	Interest Rate Risk (Borrowing) The risk that fluctuations in the levels of interest rates, official and market, create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately.	4	1	5	3	15	As part of the Treasury Management Strategy, the TM function will continually monitor interest rates available to ensure any borrowing is prudent, and at an affordable level.
Operational	2	Regulatory (Markets in Financial Instruments Directive II) MIFID II is due to come into effect from January 2018 and will result in all local authorities being automatically classified as retail status (both pension fund and treasury). A retail status infers that local authorities are not professionally competent to understand the instruments in which they are dealing, and so will have to rely on the particular investment firm to advise them of all the investment risks. Local authorities will be able to "opt up" to professional status, but the process will need to be with every counterparty (investing and borrowing), and is destined to be administratively burdensome.	1	2	3	5	15	Officers are currently engaging very closely with professional bodies who, in turn, are engaging with the Financial Conduct Authority and the DCLG in order to have influence on the final outcome..
Operational	3	Financial failure of SCC's main bankers The collapse of the council's main bankers, leading to a total shutdown of services.	4	4	8	1	8	Banks operating within the UK regulatory framework are subject to bail-in regulations. In the event that HSBC is deemed by the regulator to be in financial difficulty, they can act to pre-empt possible financial collapse by bailing in certain investors or lenders to boost capital and allow operations to continue. The suitability of the council's banker (HSBC) in terms of its security and stability is assessed on a regular basis.
Financial	4	Credit and counterparty risk The risk of failure by a counterparty to meet its contractual obligations to the organisation under an investment, borrowing, capital, project or partnership financing, particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the organisation's capital or revenue resources.	3	4	7	1	7	As part of the Treasury Management Strategy, counterparty criteria has been set at a level to allow only the most financially secure banks and other counterparties within the lending list. Such lists are regularly monitored against updates and advice provided by our Treasury consultant.
Operational	5	Fraud, Error and Corruption This is defined as the risk that an organisation fails to identify the circumstances in which it may be exposed to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings and fails to employ suitable systems and procedures and maintain effective contingency management arrangements to these ends.	3	4	7	1	7	Ongoing internal audit advice will ensure that the Council identifies the circumstances which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Advice is also supplied with regard to the use of internal controls and compliance testing as to their effectiveness. Managers will maintain a constant watch over the suitability of its systems and procedures.
Financial	6	Interest Rate Risk (Investments) The risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately.	2	1	3	2	6	As part of the Treasury Strategy, all investments will be kept with counterparties with a high rating, on a short term basis of one year or less, minimising any interest rate risks.
Operational	7	Liquidity Risk The risk that cash will not be available when it is needed, that ineffective management of liquidity creates additional unbudgeted costs, and that the organisation's business/service objectives will be thereby compromised.	1	2	3	2	6	The current Treasury Management Strategy, in recognition of the risks inherent in holding unnecessary cash balances and the cost of carry on longer term borrowing, removed the requirement for a minimum cash balance and minimum deposit balance. The current strategy utilises internal and short term borrowing to meet liquidity requirements. As such significant emphasis has been placed upon the accuracy and scrutiny of cash flow forecasting to allow for effective planning for short term cash and borrowing needs. In the event of unforeseen cash requirements, short term borrowing is widely available from other local authorities and money markets at low rates of interest.
Financial	8	Too Conservative Strategy The overall treasury management strategy is judged as too prudent and unnecessarily stringent, resulting in investment returns being lower than might have been with a more risky, but ultimately safe, approach.	3	2	5	1	5	Treasury strategies, outturn reports and monitoring reports and scrutinised on a regular basis by the Audit and Governance Committee with recommendations and opinions minuted and actioned.
Operational	9	Legal and Regulatory Risk Defined as the risk that the organisation itself, or a third party with which it is dealing, fails to act in accordance with its legal powers or regulatory requirements, and that the organisation suffers losses accordingly.	1	4	5	1	5	The Treasury Management function will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements, by receiving relevant updates from CIPFA and from the treasury advisors.
Operational	10	Unauthorised access to offices leads to theft of intellectual property and confidential information	1	4	5	1	5	Ensure all sensitive data is locked away. Challenge any unknown visitors. Use of secure passwords to protect against unauthorised access.
Operational	11	HSBC System Failure The partial or complete failure of HSBC's banking and security system disallowing access, usage of online payment and bank account information or that unauthorised access to accounts is not prevented due to coordinated cyber attack.	2	3	5	1	5	In the event of an online systems failure officers are able to request information or payments to be made through the Council's relationship manager and HSBC corporate team. HSBC as one of the worlds largest banks has dedicated significant resources to a cyber security system to combat this threat.
Financial	12	Market Risk The risk that, through adverse market fluctuations in the value of the principal sums an organisation borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately.	1	1	2	2	4	The Treasury Management Strategy prevents exposure to instruments which can be subject to significant adverse market fluctuations in the capital sum invested.
Financial	13	Refinancing Risk The risk that maturing borrowings, capital, project or partnership financings cannot be refinanced on terms that reflect the provisions made by the organisation for those refinancings, both capital and current (revenue), and/or that the terms are inconsistent with prevailing market conditions at the time.	2	2	4	1	4	As part of the Treasury Management Strategy, restrictions have been set on the proportion of borrowing that is due for refinancing in the short term..

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