Supplementary Agenda (1)

Audit & Governance Committee

SURREY
COUNTY COUNCIL

Date & time	Place	Contact	Chief Executive
Friday, 18 June 2021 at 2.00 pm	Remote	Joss Butler joss.butler@surreycc.gov.uk	Joanna Killian We're on Twitter: @SCCdemocracy

Members
Stephen Cooksey, Victor Lewanski (Vice-Chairman), David Lewis (Chairman), Rebecca Paul, Joanne Sexton and Richard Tear

AGENDA

5 DRAFT STATEMENT OF ACCOUNTS 2020/21 (Pages 1 - 184)

To provide Audit & Governance Committee with an update on the Draft Accounts and the process for undertaking the audit.

Joanna Killian
Chief Executive
Published: 11 June 2021

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Audit & Governance Committee
18 June 2021

Draft Statement of Accounts 2020/21

Purpose of the report:

To provide Audit & Governance Committee with an update on the Draft Accounts and the process for undertaking the audit.

Recommendations:

It is recommended that the Audit & Governance Committee note the draft accounts and the process for undertaking the audit.

Introduction:

1. As a result of Covid-19, the Ministry of Housing, Communities and Local Government (MHCLG) legislated to allow local authorities flexibility in the timescales for publishing draft accounts. The statutory deadline for publishing the draft accounts for 2019/20 was moved from 31 May to 31 August, with the deadline for audit sign-off moving from 31 July to 30 November.

2. Despite the flexibility, Surrey County Council adhered to the original timeline of producing draft accounts for 2019/20 by the end of May. The final accounts were signed by Grant Thornton, the external auditor, on 23 November 2020.

3. For 2020/21, the deadlines have been amended again to 31 July for Draft Accounts and 30 September for audit sign-off and final publication. The Council has published its draft accounts, appended to this report, on 11 June 2021.

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Inspection and External Audit

4. From the date of publication, the draft accounts are subject to a 30-working day Public Inspection Period, during which time any person interested may on reasonable notice inspect the accounts and supporting documents, except where the latter includes commercially sensitive or personal information.

5. The deadline for external audit to complete their review and sign the accounts is 30 September. The External Audit Plan approved by Audit & Governance Committee on 23 March 2021 set out the approach that Grant Thornton will take to the audit and their expected timetable to conduct the audit between July and September.

6. The final accounts and Audit Findings Report are scheduled to be presented to this committee by 30 September.

Conclusions:

7. The Council's Draft Accounts, as published on 11 June are attached to this report for consideration.

Financial and value for money implications

8. There are no financial or value for money implications of this report. The Draft Statement of Accounts includes a Narrative Statement which sets out the key elements of the Statement of Accounts.

Equalities and Diversity Implications

9. There are no direct equalities implications of this report.

Risk Management Implications

10. There are no direct risk management implications of this report. The Council's approach to risk management is summarised in the Narrative Statement.

Next steps:

11. The final, audited Statement of Accounts and Audit Findings Report are scheduled to be presented to this committee by 30 September.

Report contact: Barry Stratfull, Chief Accountant (Corporate)

Contact details: barry.stratfull@surreycc.gov.uk
Woodhatch Place, 11 Cockshot Hill, Reigate

Sources/background papers:

Audit & Governance Committee 23 March 2021: Grant Thornton: 2020/21 External Audit Plan
Audit & Governance Committee 5 November 2020: Statement of Accounts 2019/20

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Surrey County Council

Draft Statement of Accounts

2020/21

SURREY

Report on the Audit of the Financial Statements

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Executive Director's Narrative Report

Against the unprecedented backdrop of COVID-19 and the impact of the pandemic on our communities, services and ways of working, Surrey County Council continued to take significant steps forward over the course of the financial year to 31st March 2021. In addition to the work to protect and support our residents in direct response to the pandemic we made improvements to service delivery, performance, financial management and sustainability. Despite being proud of our achievements, we recognise that there is much still to do. We continue to strengthen our financial resilience as an organisation through the building of reserves to provide with the cushioning and flexibilities we need to tackle future challenges.

This Narrative Report provides context on how Surrey County Council uses its resources to provide services and deliver our Community Vision for Surrey in 2030. The report includes:

- **Context/About the County** - describing the county of Surrey and the scale and scope of Surrey County Council
- **Organisational Strategy** – explaining our Community Vision for 2030 and the core elements of our strategy
- **Service Performance –** highlighting achievements in 2020/21 and our plans for the future
- **COVID-19 –** our response to the pandemic in 2020/21 and its financial implications
- **Financial Performance –** summarising our income and expenditure for the year, the headlines from the Balance Sheet and our capital investment programme
- **Capital** – an overview of our capital accounts and plans moving forward
- **Strategic Risks –** setting out our approach to risk management
- **Explaining our Accounting Statements –** a section describing the purpose of the main statements within our Accounts

  Material Items and Group Accounts – a summary of the material items our in our Statement of Accounts and explaining our Group Accounts

The Council has faced unprecedented challenges as a result of the pandemic, although having commenced in 2020/21, the impact will continue into 2021/22 and future years. As such, we continue to proactively plan in response to the emerging situation. The COVID-19 section of this report details how we tackled the pandemic and the financial impact felt in 2020/21. Managing the ongoing impact and promoting recovery for Surrey and its communities is a key priority.

Leigh Whitehouse, Executive Director – Resources & Section 151 Officer, Surrey County Council

ABOUT THE COUNTY

Population: Surrey has a population of 1.19 million and is the eleventh most populous English county. The current population is largely healthy and active and has an upwards trend in life expectancy for men and women. By 2030 the population is expected to be 1.21 million, with more than 23% of residents aged 65 - 47% of whom are anticipated to be living in a residential care home setting.

Health and Wellbeing: The county is generally affluent but with pockets of social deprivation. There are significant inequalities in healthy life expectancy, with a 15-year gap between wards within the county. This gap is linked to deprivation; with healthy life expectancy in the least deprived quartile 4.8 years higher for women and 4.7 years higher for men than in the most deprived quartile. Obesity levels are below national average however rose 2% between 2017/ 18 and 2018/19. 1 in 6 children in reception year and 1 in 4 children in year 6 are overweight or obese.

Economy: Surrey's economy is relatively strong and worth approximately £43.4 billion. This grew by 24% between 2010 and 2018 - in line with economic growth in the South. Surrey's unemployment rate has been lower than the average for the South East since 2004, including youth unemployment which is below regional and national averages. However, the pandemic has hit hard with a 313% increase in claimant count between July 2019 and July 2020. In some areas, it is estimated that over a quarter of residents are at risk of losing their jobs as a result of the pandemic. The long-term impact on the economy remains to be seen.

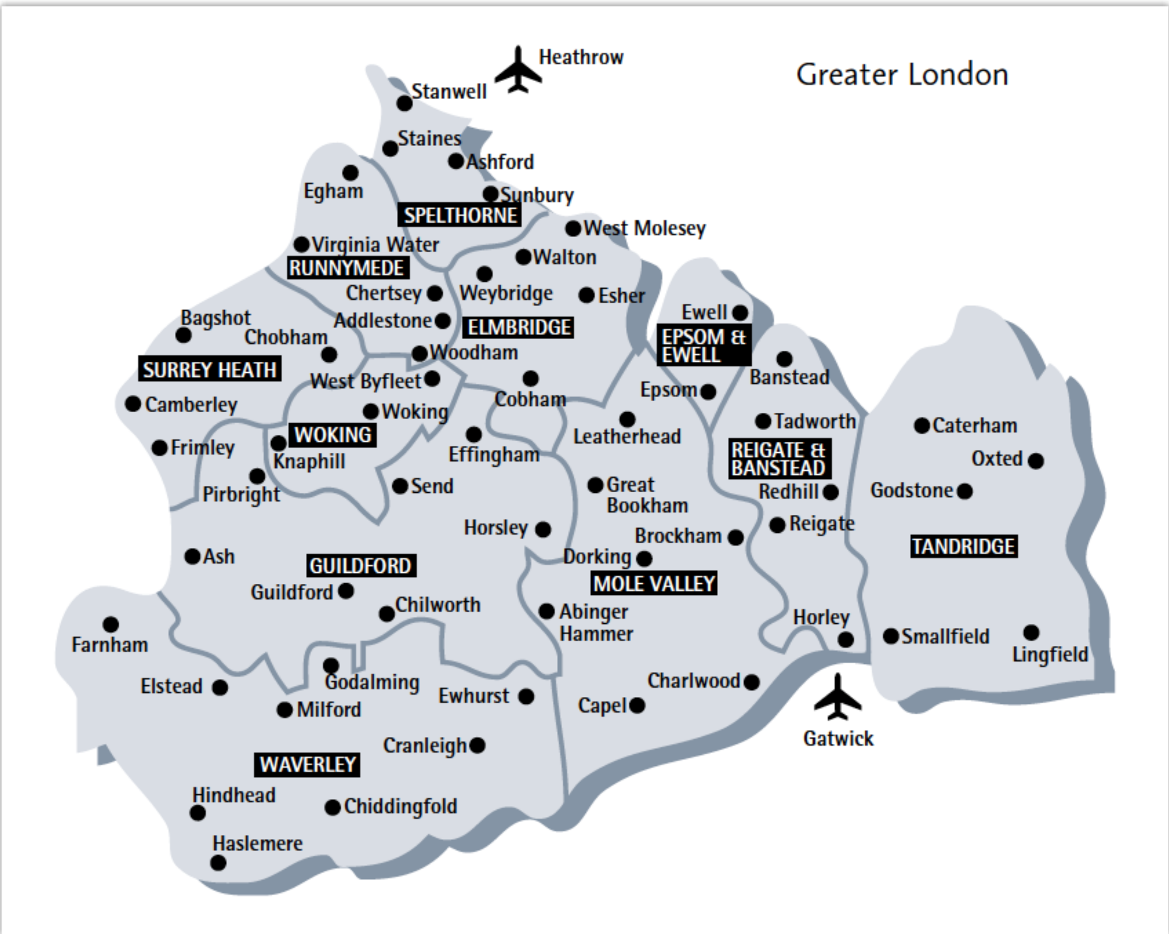
Education and Skills: Surrey's population is highly skilled with 51.8% of the working age population holding a degree-level qualification; an increase of 2% since 2018. At school, 51.7% achieve a strong pass in English and Maths, compared to 43.4% nationally and 46.5% in the South East.

Environment and Infrastructure: The county of Surrey is about 1,663 km^2 (650 $miles^2$). Surrey's 3,452 mile road network is a high priority for residents. In April 2020 there was a 71% decrease in average traffic flow compared to pre pandemic levels, increasing to 34% below in June 2020. On average, Surrey's air quality is better than the national average, with a score of 26.1 compared to 26.8 nationally. Residents have good access to woodland spaces with over a quarter of the population living with 500 metres of accessible woodland.

Over 500,000 tonnes of waste is disposed of each year, with over 55% of it being recycled or reused, however, volumes of waste to landfill have also risen by 6.7% since 2017/18 contrary to national trends.

Housing: Housing in Surrey is increasingly expensive, with an average house price in September 2020 of £450,000. Relative to average salaries, housing is four times less affordable than the national average. There is proportionally less affordable housing than other areas in the South East, and consequently a growing need for affordable housing especially for residents on low incomes. There are signs of increasing homelessness and 6.3% of households in Surrey live in fuel poverty. Surrey is below average for housing benefit with 7% of households receiving benefit, compared to 9.6% in the South East.

Crime: The crime rate in Surrey was static between March 2019 and March 2020, however there were rises in 3 boroughs (Runnymede, Tandridge and Waverley). Victim based crime continues to trend upwards at 53.35 offences per 1,000 people but remains below the national average of 71.15. Anti-social behaviour incidents are also below national average at 20.9 incidents per 1,000 residents compared to national average of 24.3.



The day-to-day costs (£2,125m for 2020/21) of running the council is made up of £694m of staff costs (2019/20 £741m), and £1,431m on non-staff service expenditure (2019/20 £1,309m). This is funded from council tax, business rates, central government funding, and fees and charges.

Our services to the people of Surrey include: education, supporting and protecting vulnerable people through social services, managing the treatment of waste, maintaining, managing and improving roads and public transport networks, libraries, strategic planning, consumer protection, public health; and fire and rescue services. Occasionally, delivery of services involves using facilities beyond our boundaries as a county, for example: care homes, fire stations and primary, secondary and special needs schools.

Population increases are due to improvements in lifestyle and medication to help people live fuller lives, birth rates and immigration. Since 1889, we have had the responsibility to meet our local people's needs and ensure that council tax and business rate payers get value for money. This is recognised through transparency, information and public accountability.

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ORGANISATION STRATEGY 2021-2026

Surrey County Council's Organisation Strategy, agreed in 2018, defined how the Council would contribute to the Community Vision for Surrey in 2030. Refreshed in December 2019, and then again in December 2020, the latest version of the Strategy reflects the changes in the context and environment that the organisation is operating in and focusses on a smaller set of priority objectives. However, many of the core elements remain consistent - it continues to outline how our activity will contribute to the 2030 Vision, and remains focused on creating better lives, a better place, and a county where no-one is left behind.

The Strategy sets out a clear strategic direction for the Council and brings together several interrelated workstreams, including response and recovery to the COVID-19 pandemic, transformation, and our Medium-Term Financial Strategy, alongside day-to-day activity of our services. Building on the strong foundations put in place over the last two years, the Strategy continues the work that has enabled the council to provide high quality services and make efficiencies, while at the same time responding to, and leading recovery from, the COVID-19 pandemic. While we have made significant stride towards improving the quality of our performance to secure better outcomes for our residents, supported by robust finances, we continue to face financial challenges alongside rising demand for services, a situation that has worsened as a result of COVID-19. Going forward we will focus on carrying out a smaller number of activities, but in a more effective way.

To help us to continue to deliver on the long-term aims for the county, the Organisation Strategy emphasises four priority objectives as a clear focus for the work of the council, based on extensive research and engagement. This has enabled us to work from a robust evidence base to understand the impact of COVID-19, what residents see as the challenges and opportunities, and how the future priorities for the Council align with this.

Our focus on a smaller set of priorities will mean we can better align our resources and activity to delivering the outcomes that will make the most difference to the lives of residents, and ensure we are doing this in the most financially sustainable way. Success for the Council should be on the impact that we have and making a positive difference for residents through our activity to deliver on our priority objectives.

Running through all four of the priority outcomes in the Strategy is a theme of addressing inequality. Making sure we leave no-one behind is not new; it is a central part of the 2030 Vision and a key feature of the Organisation Strategy from previous years. The Strategy reaffirms this commitment to tackling inequality as the guiding principle for everything the council does, as well as setting new equality objectives that include reducing health and economic inequalities.

THE COUNCIL'S PERFORMANCE ACHIEVEMENTS 2020/21

We are creating a solid foundation on which to build a prosperous and exciting future for Surrey by ensuring that we as a council are as efficient and effective as we can be and transforming our services so they can be in the best place to deliver our 2030 ambitions. This section provides examples of our work and highlights improvements that are beginning to make a positive impact on Surrey - the people and the place:

For People

- We are making 'substantial' and 'sustainable' improvements to Children's Social Care Services with the Department for Education's Children's Commissioner satisfied we are making the right progress;
- We have committed to delivering 213 additional specialist SEND school places for the academic year 2021/22, investing £36m in the delivery of this;
- We have improved support for Foster Carers by introducing the acclaimed Mockingbird model with three hubs up and running, 37 new fostering households recruited and 5 'supported lodgings' carers providing homes for children growing up in the care of the council;
- We have 4 sites agreed with the potential to offer 310 extra care flats (towards our 10-year target of 725) to ensure older people can remain part of the community. In addition, we have launched the Supportive Communities Fund to help grassroots groups keep people living independently in their communities. We have deployed a team of Dementia Navigators who help 125 people with the condition every month, to live as independently as possible. We have recruited 56 new social workers and occupational therapists to help support and safeguard vulnerable adults;
- We have bought our mental health staff back into the council and redesigned our offer to improve mental health care in Surrey. Including launching Surrey's virtual wellbeing hub, which has run more than 650 sessions in four months to support people's mental health;
- We have maintained and improved the library services across the county ensuring all 52 library services remain open and expanded the digital library offering with over 150,000 newspapers and magazines read and a 110% increase in membership;
- We have introduced more than 20 schemes to encourage safer walking and cycling as town centres open up after lockdown and have invested £200,000 in our cycle training programme so more children can take part;
- Developed and launched the £100 million Your Fund Surrey to provide capital funding for Community-led Projects.

For Place

- We want residents to live in clean, safe and green communities, where people and organisations embrace their environmental responsibilities and in recognition of this, we declared a Climate Emergency in July 2019 and launched a climate change strategy in April 2020;
- To support this work, we have committed £105 million to projects to protect the environment and help tackle the Climate Emergency, including supporting 10 resident led community projects designed to reduce our carbon footprint through the Greener Futures Design Challenge. We have also begun work to replace all streetlights with more effective and energy efficient LEDs, rolled out the installation of fast on-street charging points for electric vehicles and provided an additional £49 million for the introduction of ultra-low and zero emission buses in Surrey;
- We have continued to manage more than 3,500 hectares (10,000 acres) of Surrey's beautiful countryside that was heavily used during the pandemic. During this time, we have started delivering on our commitment to facilitate the planning of 1.2 million new trees by 2030 in our New Tree Strategy. We have also taken the lead on long-term flood defences and making the

River Thames scheme happen by investing over £250 million to protect Surrey's residents, homes and businesses;

- We have started work to build two new children's residential homes and a state of the art contact centre where children in care can keep in touch with families and friends, costing £5.5 million. we have opened a new fire station at Fordbridge and a new library in Horley. Finally, we have also moved Surrey County Council's headquarters back into the county for the first time since 1963, recognising the importance of the council as a local employer and member of the community.

Looking Forward

Despite the pandemic, we are making swift and effective progress, enabling us to deliver great quality services, support and value for money for Surrey residents now and well into the future. We know there is more to be done if we are to achieve our ambitions. In the coming weeks and months, we will be bringing forward initiatives, setting out plans and agreeing budgets to support them.

We will:

- invest even more in our 3,000 miles of roads and pavements to ensure people can get around smoothly and safely
- help tackle the climate emergency and protect our environment for future generations, becoming a carbon-neutral council as soon as possible
- plant at least one tree for every one of our 1.2 million residents
- offer the use of our 30 youth centres for the good of young people at little or no cost to voluntary, community or faith organisations

We are creating a solid foundation on which to build a prosperous and exciting future for Surrey and the council by ensuring that we are as efficient and effective as possible and transform our services so they can be in the best place to deliver our 2030 ambitions.

COVID-19

Surrey County Council has a vitally important role in helping to lead the local response to COVID-19 via the Surrey Local Resilience Forum (LRF) which has the primary objective to save lives, protect the NHS, to ensure our residents are protected wherever possible and that crucial public services continue to operate in these unprecedented times. Since the 19th March 2020 when the LRF declared a major incident for COVID-19, the Council has taken a number of steps to ensure it is residents and staff are safe and using its resources as effectively as possible to combat COVID-19.

The Council has mobilised its resources and expertise to ensure that accurate and up-to-date information about infection rates across the county along with intelligence on the wider impact of the pandemic is provided for decision makers, and worked with partners to advise on how the virus can be most effectively managed for staff, residents and the delivery of essential services.

Having undertaken a comprehensive business continuity planning process, the Council was able to suspend certain non-essential services and re-deploy staff into areas and activities that have been critical to our emergency response – that includes over 100 staff working as part of and supporting the LRF.

Key achievements

- In the first week of operation, the Community Helpline received 538 calls, while by the end of December 2020 it had received 11,468 calls. We also had a significant amount of feedback on the community telephone helpline from residents receiving help and advice;
- In addition, in its first month of operation, the SCC COVID-19 information hub had 29,281 visits, and by December this had increased to 470,600. This shows how important these tools were to Surrey residents for accessing up-to-date information, and the impact of the campaign in raising awareness of where this information could be found;
- We sourced, sorted and delivered over 7 million items of PPE to the frontline;
- We set up a Surrey wider community helpline in 48 hours and handled over 11,500 calls from people needing help;
- We delivered 310 million in grants to help care provider deal with the impact and acted quickly to build an extra refugee for women fleeing domestic violence during lockdown;
- Our #KeepSurreySafe targeted campaign reached over 1m individuals with over 22m impressions during the campaign – giving public health guidance, clear information about restrictions and promoting testing;
- Our social media gained exceptional levels of engagement, with 14,879,454 Facebook and Instagram impressions, reaching 1.1m people, while we had 1,436,499 Google Display impressions and 37,662 link clicks;
- We ran 57 specific alerts in different geographical areas, in different languages and targeted at particular hotspots, like train stations, at various points during the pandemic based on public health data;
- Our geo-targeted social media posts during surge testing operations in Woking and Runnymede reached over 53,000 people in those areas, warning and informing residents in a rapid and timely manner, helped deliver an unprecedented test return rate of around 95% in both areas; and
- Further campaigns included Mental Health, schools & home learning, Council services (open/closed), food delivery and other support videos, domestic abuse, faith leader words of comfort re bereavement, PPE Handmade for Heroes campaign, the opening of Headley Court Community Hospital

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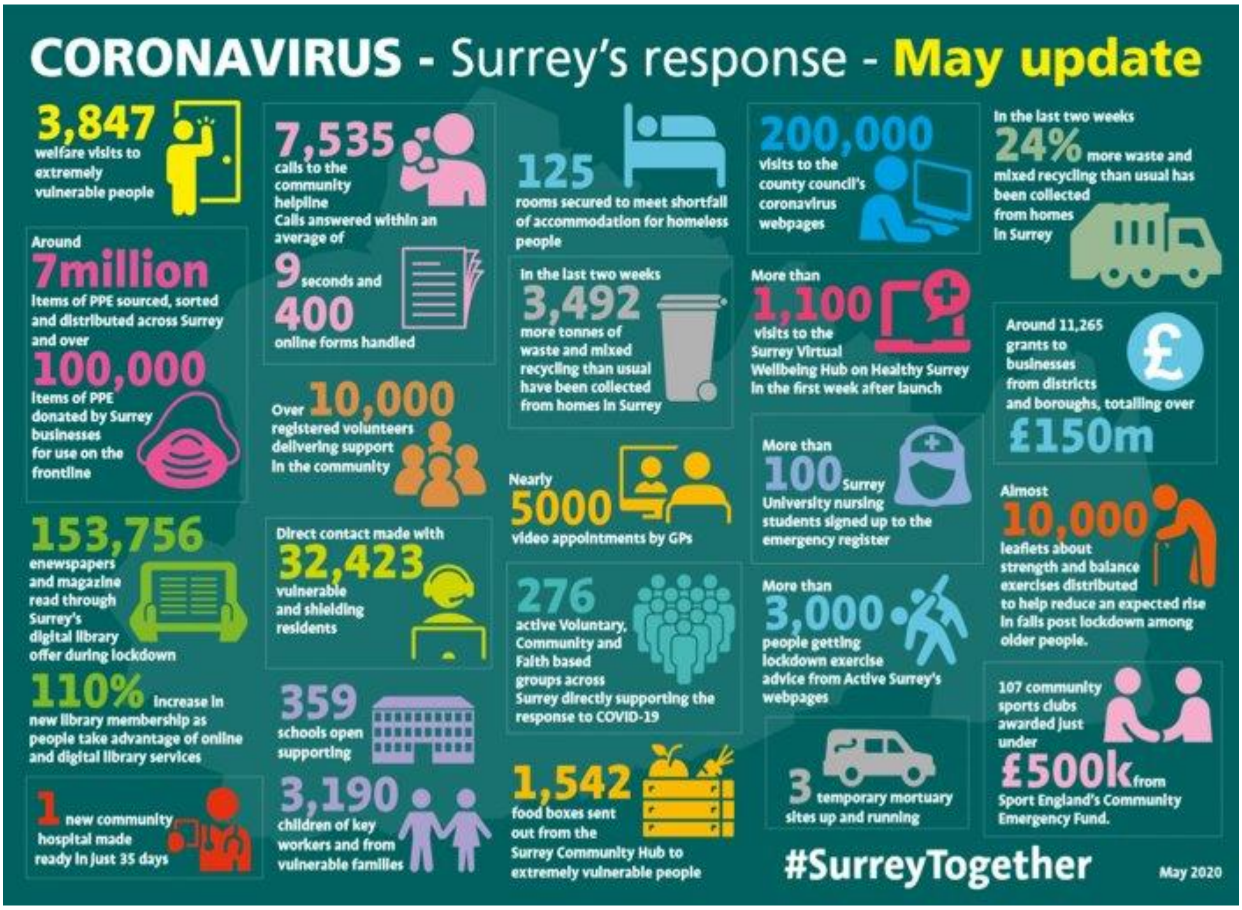


COVID-19 Financial Implications

The financial impact of COVID-19 in 2020/21 has been closely managed and monitored throughout the year. The overall impact of COVID-19 has been managed through the receipt of specific COVID-19 grant and allocations of emergency funding. To date this has mitigated the financial impact on the Council however, it is unclear how long this support will continue.

The total financial impact for 2020/21 consists of spend, lost income and delayed efficiency programmes of £137m; 14% of our original budget for the year. This is offset in part by specific grants from Government of £81m, leaving a net of £56m to be met from emergency funding. Total emergency funding for expenditure and lost income for 2021/22 amounted to £62m. £6m is held in reserve to meet ongoing COVID-19 related spend in 2021/22.

The budget for 2021/22 was approved by Full Council on 9th February 2021. The budget includes £20m of COVID-19 Government funding for Directorate expenditure and £31m to partly mitigate the impact of reduced Council Tax and Business Rate Funding. In addition, there are carry forwards on the Contain Outbreak Management fund and Test and Trace grant, both held by the Public Health team, that will be spent in 2021/22.

With the ongoing pandemic and uncertainty around aspects such as Variants of Concern, the situation will continue to be monitored closely. It is expected the impact will continue to be felt in medium-term financial planning and that this will be significantly more challenging than would have been the case prior to the emergence of the virus.

FINANCIAL PERFORMANCE

Core funding

Aligned with the rest of local government, the Council has seen a steady reduction in its core funding over the last ten years. We expect non-specific grant funding to be phased out, increasing the reliance on locally generated funding, particularly Council Tax and Business Rates.

Addressing future challenges

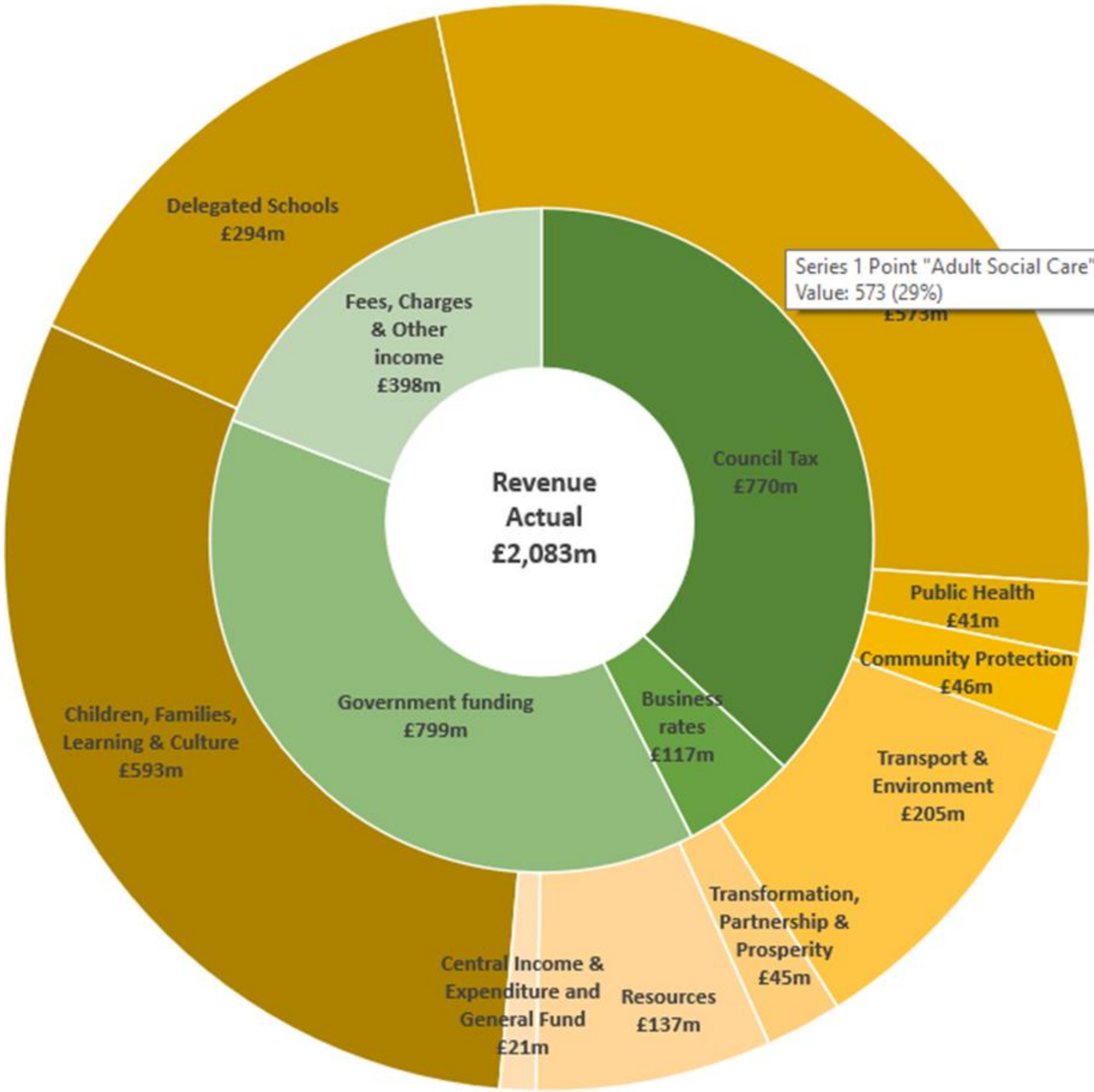
The Medium-Term Financial Strategy has recently been updated, indicating that in addition to reductions in government funding the Council also expects to see increasing demand for services over the next five years. Population growth will put pressure on both adult social care and services for children. In addition, the costs of the COVID-19 pandemic will extend long beyond the resolution of the immediate crisis as communities, families and the economy take time to recover.

The Council recognises the significant financial challenge brought by increasing demand, ambition to improve and reduction to central funding and so has already begun to plan in earnest for the future with a clear focus on service transformation, financial sustainability, resilience and continuous improvement.

2020/21 Council Tax and revenue spending

To achieve a balanced budget for the year a programme of efficiencies including transformation activities totalling £38m was established. The Council achieved £29m (c77%) of the £38m target, with the balance found by alternative efficiencies (not originally part of the programme) As in previous years, these efficiencies have been generated by measures which avoid service reductions such as income generation, improved efficiency and procurement activities. Of the £29m efficiencies achieved, £19m were delivered by the Transformation Programme, including £6m in Adult Social Care Practice Improvement, and £7.5m in Adult Social Care Learning Disabilities and autism improvement.

The below chart highlights the Revenue Income in green against expenditure in yellow.



The final outturn for the year is a small surplus of £7.8m (less than 1% of the budget). We have contributed £3.9m to General Fund Reserves and a further £3.9m to earmarked reserves to meet future demands and risks.

There are accounting adjustments for capital, pensions and reserves that lead to a deficit of £42m (deficit £173m 2019/20) in the Comprehensive Income and Expenditure Statement.

BALANCE SHEET

The Council holds £2,334m of long-term assets at 31 March 2021 (£2,200m as at 31 March 2020), which is primarily made up of the property, plant and equipment held by the Council. Details on these assets can be found in notes 13 and 14. In addition to these balances, the Council holds material balances relating to pension liabilities and borrowing.

- The pension liability recognised on the Council's balance sheet has a significant impact on the net worth of the Council. Pension benefits do not become payable until employees retire, however the Council is required to account for the future obligations at the same time as the employees earn their future entitlement. The pension liability is calculated by an independent actuary, Hymans Robertson. The net Local Government Pension Scheme liability is estimated to be £1,475m at the balance sheet date (£1,097m at 31 March 2020; an increase of £378m). The firefighters pension liability is also included within the Council's Accounts and is estimated to be £696m, an increase of £150m on the previous year. Although the liability has increased significantly (largely due to financial assumptions around inflation), the liability does not need to be met within the next year but over the working lifetime of the scheme members. The Council is making appropriate lump sum payments to the pension fund in addition to the contributions related to current employees. The accounting deficit is based on a snapshot in time and does not predict the funds financial condition or its ability to pay benefits in the future. Cash flow into the fund is positive and solid with significant gains made on investments alongside the increased liabilities.

- The Council continues to pursue a strategy of temporarily borrowing using its internal resources to finance capital expenditure and using short-term borrowing to cover short-term cash flow requirements, rather than borrowing long-term. This results in reduced interest payable costs and is considered a prudent strategy in an economic climate when interest rates achievable on holding large cash balances continue at historic lows. Long-term borrowing is now £444m (2019/20 £442m). Short-term borrowing, mainly from other Local Authorities, has increased to £285m (2019/20 £240m), as part of the financing strategy for the Council's Capital Programme.

In addition to these material balances, the Council holds £23m of provisions at 31 March 2021 (£22m at 31 March 2020). These are created when the Council has a liability to make future payments, but precise timing of the payment and the amounts are uncertain. Further details on provisions can be found in Note 21.

Balance Sheet

As at 31 March 2020

Total Assets £2,396m

Long Term Assets £2,200m				Current Assets £196m	
Property, Plant & Equipment £1,729m	Other Long term Assets £9m	Investment Property £134m	Long Term Debtors and Investments £328m	Debtors & Payments in Advance £138m	Cash & cash equivalents and others £58m

Offset by:

Total Liabilities £2,673m

Current Liabilities £474m			Long Term Liabilities £2,199m		
Short term borrowing £240m	Creditors £217m	Other Liabilties and Provisions £18m	Long term Borrowing (loans) and provisions £463m	Pension Fund Liabilities £1,642m	Other long term liabilities (Lease liabilities etc) £94m

Makes:

Total net liabilities £278m

Surrey County Council Assets £1,364m	Surrey Pension Fund Liabilities £1,642m

Funded by:

Total Reserves (£278m)

Useable Reserves £405m				Unuseable Reserves (£683m)	
General Fund £24m	Revenue Reserves £246m	Capital Reserves £143m	Schools Reserves (£8m)	Pension Reserve (£1,642m)	Other Reserves £959m

Balance Sheet

As at 31 March 2021

Total Assets £2,566m

Long Term Assets £2,333m				Current Assets £233m	
Property, Plant & Equipment £1,865m	Other Long term Assets £9m	Investment Property £122m	Long Term Debtors and Investments £337m	Debtors & Payments in Advance £152m	Cash & cash equivalents and others £80m

Offset by:

Total Liabilities £3,286m

Current Liabilities £556m			Long Term Liabilities £2,730m		
Short term borrowing £285m	Creditors £226m	Other Liabilities and Provisions £45m	Long term Borrowing (loans) and provisions £464m	Pension Fund Liabilities £2,171m	Other long term liabilities (Lease liabilities etc) £96m

Total net liabilities £720m

Surrey County Council Assets £1,451m	Surrey Pension Fund Liabilities £2,171m

Total Reserves (£720m)

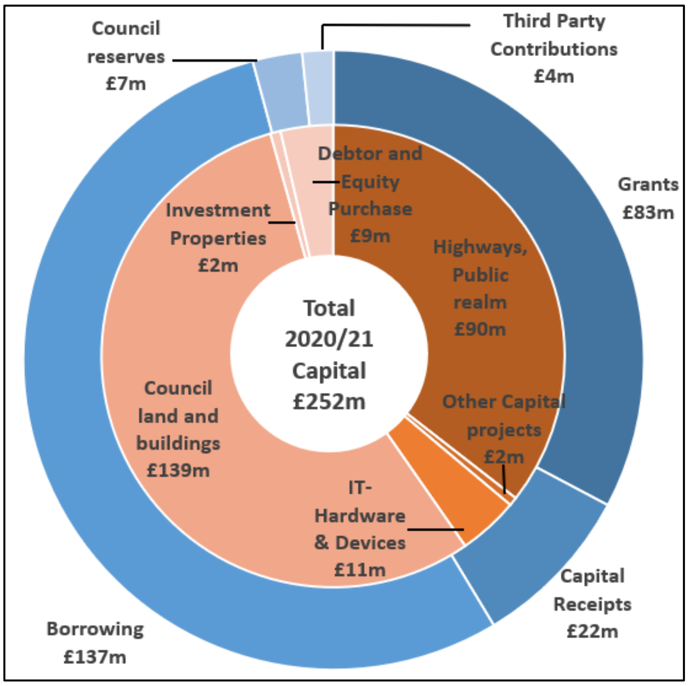
Useable Reserves £553m				Unuseable Reserves (£1,273m)	
General Fund £28m	Revenue Reserves £321m	Capital Reserves £154m	Schools Reserves £51m	Pension Reserve (£2,171m)	Other Reserves £897m

CAPITAL

The Council set a capital budget for 2020/21 of £175.7m in February 2020. This was subsequently increased during the year to reflect the purchase of the new Council offices of Woodhatch Place and Dakota. This increased the Capital Programme budget to £244m with spend for the year against budget of £241.3m, resulting in £2.7m (1.4%) slippage of the programme. Further details can be found within the Cabinet outturn report for 2020/21 on the Council's website.

In addition, there was £1.6m spend on investment properties and £9.2m invested in Halsey Garton (a SCC wholly owned subsidiary) by purchasing shares of £3.3m and providing a long-term loan of £5.9m.

The chart below highlights the capital funding (blue segments) against expenditure (brown segments).



LOOKING FORWARD

The Council has an ambitious five-year capital investment programme totalling £1.9bn making Surrey a place fit for the future.

Highways – A further **£200m** of spend to improve and maintain our highway network which includes 3000 miles of road, over 3000 miles of pavements; from a deteriorating to steady state.

Greener Futures – Various projects including Solar Farms; EV charging point pilot; ULEV purchases and electrification of various transport services, with **total budget and pipeline spend of c£105m.**

Improved Access to the Countryside – Maintenance and improvements to the rights of way network and visitor improvements totalling **£1m.**

Extra Care and Independent Living –increasing the number of adults with support needs living in supported independent living settings and extra care housing to reduce reliance on traditional residential care provision -- with total investment of **£4.8m and £1.9m respectively.** Further to this there is **£126m in the pipeline** to increase the number of **Extra Care units to 725 units and 500 for Independent Living.**

Up to **£74m** on specialist provision and a new school for children with Special Educational Needs and/or Disabilities. Further phases will be delivered in future years.

River Thames Flood Alleviation Scheme - £235m and Wider Surrey Flood Alleviation Scheme – **£18m** to protect thousands of homes and businesses from the risk of flooding.

Your Fund Surrey (a community Investment fund) – **£100m** fund to regenerate high streets and visible investment in communities over the medium-term.

Schools Basic Need - SCC will invest a further **£122m** in providing sufficient school places for a growing population.

STRATEGIC RISKS FOR UPCOMING YEAR & GOVERNANCE

The Council has a strategic risk register to manage and monitor the most significant risks. In addition, risk registers are being developed within the organisation both at a Directorate and Service level. A risk framework - explaining the Council's approach to risk management - is being refreshed to take account of current best practice. Our key risks are set out in the table below; the aim of our risk management strategy is to prevent these from happening where possible and to minimise their potential impact, where they do occur.

Strategic Risk Register

Financial Resilience

- A significant gap in the medium-term financial plan
- Spending more than the Dedicated School Grant
- Not achieving the intended outcomes of our transformation programme

Organisational Resilience

- Inability to defend a deliberate and / or targeted cyber attack
- Failure to deliver major infrastructure and maintain assets
- Not complying with H&S statutory duties

Ways we work

- Declining health and wellbeing of staff
- Inability to recruit and retain sufficient numbers of skilled staff
- Working partnerships we have with other organisations will not deliver the intended objectives

Social Care

- Inability to meet an increasing level of demand for services
- Not delivering sufficiently good quality children's services
- Significant increase in the levels of poverty

Risk management is a key component in the running of a successful organisation. Surrey County Council recognises that there is an opportunity to make improvements to its application of risk management. Of particular note, an initiative is underway to improve the maturity of risk registers to better identify the underlying causes of risks and the overall effect on the organisation along with the associated controls and mitigations. Moreover, risks are also prioritised based on the likelihood of occurrence and their impact on services provided, with mitigating actions documented and improvements identified where necessary.

EXPLANATION OF ACCOUNTING STATEMENTS

The Statement of Accounts sets out the Council's income and expenditure for the year, and its financial position at 31 March 2021. It comprises core and supplementary statements, together with disclosure notes. The format and content of the financial statements are prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, which in turn is underpinned by International Financial Reporting Standards.

The Core Statements are:

The **Comprehensive Income and Expenditure Statement** – this records all of the Council's income and expenditure for the year. The top half of the statement provides an analysis by service area. The bottom half of the statement deals with corporate transactions and funding.

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

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

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

The Group Accounts include:

The assets and liabilities of companies and similar entities, which the Council either controls or significantly influences.

The Supplementary Financial Statements are:

The **Annual Governance Statement**, which sets out the governance structures of the Council and its key internal controls (this will be included in the final audited version of the accounts).

The **Pension Fund Account**, which reports the contributions received, payments to pensioners and the value of net assets invested in the Local Government Pension Scheme.

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

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

MATERAL ITEMS & GROUP ACCOUNTS

Details of specific material items of income and expenditure include:

- Government grant and Council Tax income (note 12)
- A change in the Code of Practice, requiring councils to show accumulated DSG deficit (£83m in 2020/21, £48m in 2019/20) as an unusable reserve (note 23)

De-recognition of academy schools – when a school changes status to an academy, the ownership of the land and buildings transfers from the Council to the school. The assets are written out of the balance sheet and an accounting adjustments is made in the CIES.

The Council considers all its relationships and interests in other entities and has concluded that it exercises control of significant influences over the economic activities of the following organisations:

- Hendeca (formerly S E Business Services Ltd) - a Local Authority Trading Company (LATC), wholly owned by the Council, set up for the provision of business services;
- Surrey Choices Ltd - a LATC, wholly owned by the Council, set up for the delivery of day services and community support options for people with disabilities and older people;
- Halsey Garton Ltd - a LATC, wholly owned by the Council, to make property investments; and
- Henrietta Parker Trust – the Council exercises control over this trust fund, the income of which supports adult learning.

Group accounts are therefore prepared, combining the accounts of these organisations with those of the Council and excluding any intra-group transactions and balances, to give an overall group position. However, the economic activity of the trust fund is not deemed material and therefore has not been incorporated into the group accounts.

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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 that officer is the S151 Officer:
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

The S151 Officer's responsibilities

The Executive Director of Resources 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 judgements and estimates that were reasonable and prudent;
- complied with the local authority Code.

The S151 Officer has:

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

Certification

I certify that the statement of accounts set out on pages 19 to 116 presents a true and fair view of the financial position of the council and of its expenditure and income for the year ended 31 March 2021; that the firefighter pension fund accounting statements on pages 127 to 129 give a true and fair view of the financial transactions of the firefighter pension fund during the year ended 31 March 2021; that the statement of accounts on pages 130 to 173 presents a true and fair view of the financial position of the Surrey County Council Pension Fund at 31 March 2021 and its income and expenditure for the year then ended.

Leigh Whitehouse

Executive Director of Resources (S151 Officer)   Chairman of Audit & Governance Committee

Comprehensive Income and Expenditure Statement

Year ended 31 March 2020 Gross Expenditure £000	Income £000	Net Expenditure £000		Year ended 31 March 2021 Gross Expenditure £000	Income £000	Net Expenditure £000
526,871	(252,612)	**274,259**	Children, Families, Learning & Culture	592,678	(287,285)	**305,393**
376,005	(361,295)	**14,710**	Delegated Schools	293,951	(297,096)	**(3,145)**
504,750	(129,539)	**375,211**	Adult Social Care	573,256	(191,626)	**381,630**
30,795	(809)	**29,986**	Public Health	41,111	(8,797)	**32,314**
46,565	(6,283)	**40,282**	Community Protection	46,497	(8,106)	**38,391**
209,041	(22,968)	**186,073**	Transport & Environment	204,727	(26,263)	**178,464**
145,778	(18,508)	**127,270**	Resources	137,471	(27,953)	**109,518**
45,270	(14,863)	**30,407**	Transformation, Partnership & Prosperity	44,505	(10,133)	**34,372**
1,474	(1,123)	**351**	Central Income & Expenditure	20,787	(33,962)	**(13,175)**
1,886,549	**(808,000)**	**1,078,549**	**Cost of Services – continuing operations**	**1,954,983**	**(891,221)**	**1,063,762**
21,809	(23,526)	**(1,717)**	Other Operating Income & Expenditure (note 10)	18,854	(28,364)	**(9,510)**
156,108	(72,709)	**83,399**	Financing & Investment Income & Expenditure (note 11)	151,269	(63,654)	**87,615**
	(821,853)	**(821,853)**	Local Taxation (Note 12)		(886,224)	**(886,224)**
	(165,134)	**(165,134)**	General grants & contributions (note 12 and note 31)		(213,742)	**(213,742)**
	(986,987)	**(986,987)**	Taxation, general grants & contributions		(1,099,966)	**(1,099,966)**
2,064,466	**(1,891,222)**	**173,244**	**(Surplus) or Deficit on Provision of Services**	**2,125,106**	**(2,083,205)**	**41,901**
		(48,285)	(Surplus) or deficit on revaluation of non-current assets			**(63,006)**
		(249,916)	Remeasurement of the net defined benefit liability			**463,695**
		(298,201)	**Other Comprehensive Income & Expenditure**			**400,689**
		(124,957)	**Total Comprehensive Income & Expenditure**			**442,590**

Movement in Reserves Statement

2020/21	General Fund and Earmarked Reserves* £000	Capital Receipts Reserve £000	Capital Grants & Contributions Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Balance at 31 March 2020	**(267,356)**	**(44,970)**	**(93,078)**	**(405,404)**	**682,939**	**277,535**
Reporting of Schools Budget Deficit to new Adjustment Account	**(48,632)**	**0**	**0**	**(48,632)**	**48,632**	**0**
Restated Balance at 1 April 2020	**(315,990)**	**(44,970)**	**(93,078)**	**(454,038)**	**731,571**	**277,535**
(Surplus) or deficit on provision of services (accounting basis)	41,901	0	0	**41,901**	0	**41,901**
Other comprehensive income & expenditure	0	0	0	**0**	400,689	**400,689**
Total comprehensive income & expenditure	**41,901**	**0**	**0**	**41,901**	**400,689**	**442,590**
Adjustments between accounting basis & funding basis under regulations (note 8)	(119,939)	(19,493)	(1,883)	**(141,315)**	141,315	**0**
Increase/decrease in year	**(78,039)**	**(19,493)**	**(1,883)**	**(99,415)**	**542,004**	**442,590**
Balance at 31 March 2021	**(394,029)**	**(64,463)**	**(94,961)**	**(553,453)**	**1,273,575**	**720,122**
2019/20						
Restated Balance at 31 March 2019	**(212,973)**	**(46,858)**	**(110,610)**	**(370,441)**	**772,933**	**402,492**
(Surplus) or deficit on provision of services (accounting basis)	104,861	0	0	**104,861**	0	**104,861**
Other comprehensive income & expenditure	0	0	0	**0**	(298,201)	**(298,201)**
Total comprehensive income & expenditure	**104,861**	**0**	**0**	**104,861**	**(298,201)**	**(193,340)**
Adjustments between accounting basis & funding basis under regulations (note 8)	(159,244)	1,888	17,532	**(139,824)**	139,824	**0**
Increase/decrease in year	**(54,383)**	**1,888**	**17,532**	**(34,963)**	**(158,377)**	**(193,340)**
Balance at 31 March 2020	**(267,356)**	**(44,970)**	**(93,078)**	**(405,404)**	**682,939**	**277,535**

Balance Sheet

As at 31.03.2020 £000		Note:	As at 31.03.2021 £000
1,729,439	Property, plant & equipment	13	1,864,997
1,024	Heritage assets		1,024
133,789	Investment property	14	122,312
7,278	Intangible assets	15	7,957
92,949	Long term investments	16	96,051
235,563	Long term debtors	16	241,079
2,200,042	**Long term assets**		**2,333,420**
	Short Term:		
	Intangible assets		0
2,515	Assets held for sale	19	0
1,296	Inventories		1,441
137,856	Short term debtors	17	152,843
54,189	Cash & cash equivalents	18	78,218
195,856	**Current Assets**		**232,500**
	Short Term:		
(239,698)	Borrowing	16	(285,153)
(216,584)	Creditors	20	(225,439)
(735)	Provisions	21	(3,949)
(176)	Revenue grants receipts in advance		(23,947)
(34)	Capital grants receipts in advance		(34)
(17,084)	Other current liabilities	35	(17,249)
(474,311)	**Current liabilities**		**(555,771)**
(20,777)	Provisions	21	(19,540)
(442,263)	Long term borrowing	16	(443,980)
(1,736,082)	Other long term liabilities	35	(2,266,753)
(2,199,122)	**Long term liabilities**		**(2,730,273)**
(277,535)	**Net Assets/(Liabilities)**		**(720,122)**
(405,404)	Usable reserves	9,22	(553,453)
682,939	Unusable reserves	23	1,273,575
277,535	**Total Reserves**		**720,122**

Cash Flow Statement

2019/20 £000		Note	**2020/21 £000**
173,244	Net (surplus) / deficit on the provision of services		41,901
(280,726)	Adjustments to net (surplus) / deficit on the provision of services for non-cash movements	40	(197,513)
(29,485)	Adjustments for items included in the net (surplus) / deficit on the provision of services that are investing and financing activities		(24,751)
(136,967)	**Net cash inflow from operating activities**		**(180,363)**
143,067	Purchase of property, plant & equipment, and investment property	41	242,952
(14,704)	Proceeds from the sale of property, plant & equipment		(48,405)
(13)	Payments for short-term and long-term investments		8.618
	Receipts of short-term and long-term investments		0
(3,326)	Other receipts & expenditure from investing activities		257
125,024	**Net cash outflow from investing activities**		**203,422**
18,374	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts		114
954,961	Payments for short-term and long-term borrowing		930,159
(960,110)	Receipts of short-term and long-term borrowing		(977,361)
13,225	**Net cash inflow from financing activities**		**(47,088)**
1,282	**Net increase (-) / decrease in cash & cash equivalents**		(24,029)
(55,471)	Cash & cash equivalents at the beginning of the reporting period		(54,189)
(54,189)	Cash & cash equivalents at the end of the reporting period	18	(78,218)

The cash flows from operating activities in 2020/21 include interest received of £15.5m (2019/20, £15.6m) and interest paid of £18.2m (2019/20, £32.7 m).

Note 1: Expenditure and Funding Analysis

2020/21	As reported for resource management in outturn report	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	Net Expenditure in the I&E Account
	£000	£000	£000	£000	£000
Children, Families, Learning and Culture	269,991	(31,473)	238,518	66,875	305,393
Delegated Schools*	0	(3,654)	(3,654)	509	(3,145)
Public Health	32,248	0	32,248	66	32,314
Adult Social Care	372,580	(186)	372,394	9,286	381,630
Community Protection	38,214	(182)	38,032	359	38,391
Transport & Environment	135,153	(4,661)	130,492	47,972	178,464
Resources	71,966	(4,643)	67,323	42,195	109,518
Transformation, Partnership & Prosperity	24,983	106	25,089	9,283	34,372
Central Income & Expenditure **	75,845	(27,511)	48,334	(61,509)	(13,175)
	1,020,980	**(72,204)**	**948,776**	**114,986**	**1,063,762**
Other Income and Expenditure	(1,024,858	(1,958)	(1,026,816)	4,956	(1,021,861)
Surplus (-) or deficit	**(3,878)**	**(74,162)**	**(78,040)**	**119,940**	**41,901**

2019/20					
	£000	£000	£000	£000	£000
Children, Families, Learning and Culture	244,728	(528)	244,200	30,059	274,259
Delegated Schools*	0	3,094	3,094	11,616	14,710
Public Health	29,965	0	29,965	21	29,986
Adult Social Care	362,617	2,412	365,029	10,182	375,211
Community Protection	33,668	385	34,053	6,229	40,282
Transport & Environment	129,186	(32,001)	97,185	88,888	186,073
Resources	70,202	501	70,703	56,567	127,270
Transformation, Partnership & Prosperity	15,286	382	15,668	14,739	30,407
Central Income & Expenditure **	(44,175)	67,201	23,026	(22,675)	351
	841,477	**41,446**	**882,923**	**195,626**	**1,078,549**
Other Income and Expenditure	(844,330)	(92,976)	(937,306)	32,001	(905,305)
Surplus (-) or deficit	**(2,853)**	**(51,530)**	**(54,383)**	**227,627**	**173,244**

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General fund balance (including earmarked) reserves reconciliation

2019/20 £000		2020/21 £000
(212,973)	Opening general fund balance (including earmarked reserves)	(267,356)
	Adjustment to opening balance for DSG Adjustment Account	(48,632)
(212,973)	Revised Opening Balance	(315,990)
(54,383)	(Surplus)/Deficit on general fund	(78,039)
(267,356)	**Closing general fund balance (including earmarked reserves)**	(394,029)

*Delegated schools budget is reported net of specific grants.

** For Central Income and Expenditure the adjustment to arrive at the general fund position is required to get from the outturn position reported to Cabinet to a position that is compliant with the Code for financial accounting purposes. For example, interest payable is reported within Central Income & Expenditure in the outturn report but reported under 'Other Income & Expenditure' in the accounts.

***This amount is the movement in the general fund not reported as part of the management accounts. This will generally be due to contributions and drawdowns in earmarked reserves

The objective of the expenditure and funding analysis is to demonstrate to council tax payers how the funding available to the authority for the year has been used in providing services in comparison with those resources consumed or earned by the authority in accordance with generally accepted accounting practices. The expenditure and funding analysis also shows how this expenditure is allocated for decision-making purposes between the council's departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the comprehensive income and expenditure statement.

Note 1a: Note to the Expenditure and Funding Analysis

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1)	Net change for the Pensions Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments
2020/21	£000	£000	£000	£000
Children, Families, Learning and Culture	18,205	12,833	35,836	66,873
Delegated Schools*	509	0	0	509
Public Health *	0	62	4	66
Adult Social Care	(294)	9,493	37	9,235
Community Protection	1,626	(1,282)	15	360
Transport & Environment	45,101	2,870	1	47,971
Resources	38,190	4,045	(40)	42,196
Transformation, Partnership & Prosperity	7,217	2,028	38	9,283
Central Income & Expenditure **	(58,007)	(3,501)	(1)	(61,509)
Net Cost of Service	**52,547**	**26,548**	**35,890**	**114,985**
Other Income and Expenditure	(37,536)	38,102	4,389	4,955
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure surplus or deficit	**15,011**	**64,650**	**40,279**	**119,939**
2019/20	£000	£000	£000	£000
Children, Families, Learning and Culture	12,276	18,970	(1,187)	30,059
Delegated Schools	295	11,321		11,616
Public Health		20	1	21
Adult Social Care	(2,271)	12,405	48	10,182
Community Protection	1,372	4,845	12	6,229
Transport & Environment	84,773	4,133	(18)	88,888
Resources	47,349	9,236	(18)	56,567
Transformation, Partnership & Prosperity	12,692	2,024	23	14,739
Central Income & Expenditure	(7,853)	(14,822)		(22,675)
Net Cost of Service	**148,633**	**48,132**	**(1,139)**	**195,626**
Other Income and Expenditure	(40,063)	45,969	26,095	32,001
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure surplus or deficit	**108,570**	**94,101**	**24,956**	**227,627**

Note 1: Adjustments for Capital Purposes

This column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

Financing and investment income and expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

Taxation and non-specific grant income and expenditure –

- Capital grants are adjusted for income not chargeable under generally accepted accounting practices.
- Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year.
- The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Note 2: Net Change for the Pensions Adjustments

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

For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.

For Financing and investment income and expenditure - the net interest on the defined benefit liability is charged to the CIES.

Note 3: Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

Note 1b: Customer income - segmental analysis

The table below provides a breakdown of income received from external customers broken down by service segments.

2019/20 £000	Service	2020/21 £000
(40,581)	Children, Families, Learning and Culture	(12,595)
(21,363)	Delegated Schools	(13,595)
(69,038)	Adult Social Care	(65,583)
(2,144)	Community Protection	(3,389)
(13,912)	Transport & Environment	(12,190)
(4,688)	Resources	(16,105)
(1,055)	Transformation, Partnership & Prosperity	(502)
(168)	Central Income & Expenditure	0
		(123,959)
(152,949)	**Total**	

Note 2: Income and expenditure analysed by nature

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

2019/20 £000		2020/21 £000
	Expenditure	
556,467	Employee benefits expenses	516,408
184,611	Staff expenditure at voluntary aided and foundation schools	177,711
79,890	Depreciation, amortisation and impairment	81,107
4,007	Loss in fair value of investment properties	11,009
70,232	Derecognition of non-current assets	42,656
1,044,669	Other service expenses	1,198,840
123,482	Interest payments	96,136
1,108	Precepts and levies	1,239
2,064,466	**Total expenditure**	**2,125,106**
	Income	
(737,916)	Government grant and contributions	(798,542)
(266,898)	Fees, charges and other service income	(329,934)
(348)	(Gain) or loss on disposal of non-current assets	(13,262)
	Gains in fair value of investment properties	
(821,853)	Income from council tax and business rates	(886,224)
(64,207)	Interest and investment income	(55,243)
(1,891,222)	**Total income**	**(2,083,205)**
173,244	Deficit on the provision of services	**41,901**

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Note 3. Accounting policies

i. General principles

The statement of accounts summarises the Council's transactions for the 2020/21 financial year and its position at the year ending 31 March 2021. The Council is required to prepare an annual statement of accounts by the Accounts and Audit Regulations 2015. The Regulations require the statement of accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 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.

ii. Recognition of income and expenditure

The Council accounts for revenue recognition in accordance with IFRS 15 Revenue Recognition from Contracts with Customers and IPSAS 23 Revenue from Non-Exchange Transactions (Taxes and Transfers).

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

- Revenue (income) from the sale of goods and provision of services is recognised when the council transfers the goods or completes the delivery of a service, rather than when income is received.
- 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 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 and provision is made for bad and doubtful debts. 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.

Council tax and business rates

The collection of council tax and business rates is an agency arrangement. Billing authorities (the Borough and District Councils) act as agents, collecting council tax and business rates (non-domestic rates) on behalf of the authority (and others). Billing authorities are required by statute to maintain a separate fund (known as the collection fund) for the collection and distribution of the amounts due.

Council tax and business rate income included in the Comprehensive Income and Expenditure Statement as local taxation is the total of the:

- Precept on the collection funds of each billing authority; and
- The Council's share of the actual surplus / deficit on the collection funds of each billing authority at the end of the current year, adjusted for the council's share of the surplus/deficit on the funds at the preceding year end that has not been distributed or recovered in the current year.

Regulations then dictate that the amount credited to the general fund must be equal to the amount precepted as part of the annual budget process (i.e. the cash flow for the year). Therefore the difference between the income included in the Comprehensive Income and Expenditure Statement 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.

Under the legislative framework for the collection fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and business rates collected could be less or more than predicted. Therefore, the Code requires that the council recognises on its balance sheet its share of arrears, impairment allowance for bad debts, overpayments, prepayments and collection fund surplus or deficit for both council tax and business rates. For business rates, an appeals provision has also been created to cover successful appeals by ratepayers against business rates.

iii. 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 highly liquid investments that mature within 24 hours of the date of acquisition (mainly Money Market Funds and overnight investments) as these are considered to be 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.

iv. Charges to revenue for non-current assets

Non-current assets are assets with physical substance that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and are expected to be used for more than one year.

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

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

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. 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 prudent basis determined by the council in accordance with statutory guidance. This contribution is known as the Minimum Revenue Provision (MRP). Depreciation, revaluation and impairment losses and amortisation are therefore replaced by MRP 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.

v. 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, salaries, paid annual leave, paid sick leave, bonuses and non-monetary benefits for current employees. These benefits are recognised as an expense for services in the year in which employees render service to the council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services but then reversed out through the Movement in Reserves Statement to the Accumulated Absences Account so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

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 and are charged on an accruals basis to the appropriate service in the Comprehensive Income and Expenditure Statement, at the earlier of when the council can no longer withdraw the offer of those benefits or when the council recognises costs for a 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 pension reserve to remove the notional debits and credits for pension enhancement termination benefits and are replaced 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 may be members of four separate pension schemes:

- the Local Government Pension Scheme, administered by Surrey County Council;
- the Firefighters' Pension Scheme, administered by Surrey County Council;
- the Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE);
- the National Health Service (NHS) Pension Scheme, administered by the NHS.

The schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council. The local government scheme is funded whereas the firefighter scheme is unfunded meaning that liabilities are recognised when awards are made and hence there are no investment assets; cash has to be built up to meet actual pension payments as they fall due (net of contributions from active members and government grant). Deficits on the Firefighters' Pension Scheme are covered by a government grant received each year from the Ministry for Housing, Communities & Local Government.

The teachers' pension scheme and the NHS pension scheme are administered nationally and arrangements mean that liabilities for these benefits cannot ordinarily be identified specifically to the council. Therefore, both schemes are accounted for as if they were defined contribution schemes and no liability for future payments of benefits is recognised in the Balance Sheet. The relevant service line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable in year.

The Local Government Pension Scheme (LGPS) & The Firefighters' Pension Scheme

The Local Government Pension Scheme and the Firefighters' Scheme are administered by Surrey County Council and are accounted for as a defined benefits scheme:

- liabilities of the pension funds 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 discount rate of 2.4%.

The assets of the pension funds 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;
- property – market value.

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

- Service cost comprising:
    - current service cost – The increase in the present value of the defined benefit obligation resulting from employee service in the current period. The cost to the employer of benefits accruing over the period are allocated in the Comprehensive Income and Expenditure Statement 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 are debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
    - net interest on the defined benefit liability – the net interest expense for the council. 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 Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability as a result of contribution and benefit payments.
- Re-measurements comprising:
    - return on plan assets – excluding amounts included in the net interest on the net defined liability are charged to the Pension 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 are charged to the Pensions Reserve as other comprehensive income and expenditure.
- Contributions paid to the pension funds – cash paid as employer's contributions to the pension fund in settlement of liabilities are not accounted for as an expense.

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 for retirement benefits. In the Movement in Reserves Statement, appropriations are made to and from the pension 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 pension 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 does not make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to teachers 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.

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vi. Events after the Balance Sheet date

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

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

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

vii. 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. Initially liabilities are measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

The Council provides treasury management services to the Office of the Police and Crime Commissioner for Surrey. The cash belonging to the Police is held as short-term borrowing on the balance sheet as it is an arrangement with the substance of a loan, and it makes up part of the council's daily cash management. The balances held in the Police bank account are consolidated with the daily funds available for the Council and any surplus invested in accordance with the Council's treasury strategy. Interest is then paid to the Police and Crime Commissioner on their balances. These transactions are classified as short term as the Police can terminate the arrangement with 6 months' notice.

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 cash flow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL)
- fair value through other comprehensive income (FVOCI)

The Council'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 (i.e. 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 Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (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 Council, 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.

Where loans are made at less than market rates (soft loans), a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the County Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the County Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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

Financial Assets Measured at Fair Value through Profit of Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

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

Any gains and losses that arise on de-recognition of the asset are debited or credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Expected Credit Losses

The Council recognises expected credit losses (impairments) on all of its financial assets held at amortised cost or FVOCI either on a 12-month or lifetime basis. Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could

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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. The expected credit loss model applies to financial assets measured at amortised cost and FVOCI, trade receivables, lease debtors, third party loans and financial guarantees.

A simplified approach is applied to trade receivables and lease debtors whereby consideration of changes in credit risk since initial recognition are not required and losses are automatically recognised on a lifetime basis. A collective assessment is made for groups of instruments where reasonable and supportable information is not available for individual instruments without undue cost or effort. The aim will be to approximate the result of recognising lifetime expected credit losses if significant increases in credit risk since recognition had been measurable for the individual instruments.

Loans have been grouped into three types for assessing loss allowances:

Group 1 – loans made to individual organisations. Loss allowances for these loans can be assessed on an individual basis.

Group 2 – loans supported by government funding. As the loan repayments are recycled and the contract allows for a level of default then no additional impairment loss is required.

Group 3 - car loans to employees. Loss allowances are based on a collective assessment.

Impairment losses are debited to the Financing and Investment Income and Expenditure line in the CIES. For assets carried at amortised cost, the credit entry is made against the carrying amount in the Balance Sheet. For assets carried at FVOCI, the credit entry is recognised in Other Comprehensive Income against the Financial Instruments Revaluation Reserve. For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision.

Impairment losses are not applicable to FVPL assets as the future contractual cash flows are of lesser significance and instead current market prices are considered to be an appropriate reflection of credit risk, with all movements in fair value, including those relating to credit risk, impacting on the carrying amount and being posted to the Surplus or Deficit on the Provision of Services as they arise.

Impairment losses on loans supporting capital purposes, lease debtors and share capital are not a proper charge to the County Fund balance and any gains or losses can be reversed out through the Movement in Reserves Statement to the Capital Adjustment Account.

viii. Fair value measurement

The council measures some of its non-financial assets, such as surplus assets and investment properties, and some of its financial instruments, such as equity shareholdings, 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 council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

ix. Government grants and contributions

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

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

Amounts recognised as due to the council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that result in the return of the grant or contribution to the grantor unless the specified use for the grant or contribution is met.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried on the Balance Sheet as creditors. When conditions are satisfied (i.e. will be expended as intended) the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-specific Grant Income (non ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement they are reversed out of the General Fund 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.

x. Interests in companies and joint operations

Where the council has the power to exercise significant control or influence over another economic entity, the relationship with that organisation will be assessed to determine if that organisation should be part of the Surrey County Council group for accounting purposes. The requirement to produce group accounts will be based on qualitative factors as well as materiality levels based on the level of transactions between the council and all the organisations in the group.

The Council has determined that it exerts significant control over Hendeca Ltd (formerly S.E. Business Services Limited), Surrey Choices Limited and Halsey Garton Property Limited as these are all Local Authority Trading Companies wholly owned by the council. In 2020/21 group accounts have been produced due to material balances held by subsidiary companies.

In the Council's own single entity accounts, the value of shares in subsidiary companies are recorded as long-term investments, long-term loans provided to the subsidiaries are held as long-term loans and any debtor and creditor balances between the council and the subsidiaries are also included within the relevant balance. In the group accounts, the single entity county council accounts are combined with the accounts of the subsidiary companies and any intra-group transactions and balances are excluded as part of the consolidation process to give the overall group position. The investment properties held by subsidiaries are held at fair value (see section xv). The Council's investment in the subsidiaries are held as cost on the Council's balance sheet.

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the council in conjunction with other joint operators involve the use of the assets and resources of those joint operators.

In relation to its interest in a joint operation, the Council as a joint operator recognises:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation;
- its expenses, including its share of any expenses incurred jointly.

In April 2015 the Surrey Better Care Fund was established. This is a joint operation between the council and seven NHS Clinical Commissioning Groups to provide integrated healthcare and support within the area. The council is the lead partner in the fund but shares control with each partner and as such will account for its share of assets, liabilities, revenue and expenditure in the accounts.

The Council is also part of five other minor pooled budget arrangements with NHS bodies to provide services in the local area.

In addition, the council is part of a partnership with East Sussex County Council and Brighton & Hove City Council that aims to provide business services to the public sector. The partnership is established under a Joint Committee. The Joint Committee is responsible for delivering services from a Joint Operating budget. During 2020/21 Surrey County Council, East Sussex County Council and Brighton & Hove City Council contributed to the Joint Operating budget in proportion to their service delivery requirements, which were 43%, 29% and 28% respectively.

xi. 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 otherwise 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 does not currently have any material finance leases. However from April 2021 under IFRS16, all leases will be treated as if they are finance leases and will be on the balance sheet. See Note 3a Accounting standards issued but not yet adopted for further details.

The Council as lessee

Operating leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting 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

Operating leases

Where the council grants an operating lease over a property or an item of plant or equipment, the asset is retained on the Balance Sheet. Rental income is credited to the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (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.

xii. Overheads and support services

The costs of overheads and support services are charged to service segments in accordance with the council's arrangements for accountability and financial performance. As support services are included as service lines in management reporting arrangements they also appear on the face of the Income and Expenditure Statement rather than being recharged over front line services, except for a small proportion which are charged to Public Health and Commercial Services.

xiii. Private Finance Initiative (PFI) and similar contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the council at the end of the contracts for no additional charge, the council carries the assets used under the contracts on its Balance Sheet as part of property, plant and equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. Non-current assets recognised on the Balance Sheet are re-valued and depreciated in the same way as property, plant and equipment owned by the council. The amounts payable to the PFI operators each year are analysed into five elements:

- **fair value of the services received during the year** is debited to the relevant service in the Comprehensive Income and Expenditure Statement;
- **finance cost** is an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- **contingent rent** is an increase in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;

- **payment towards liability** is applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease);
- **lifecycle replacement costs** reflect a proportion of the amounts payable to be posted to the Balance Sheet as a prepayment and then recognised as additions to property, plant and equipment when the relevant works are eventually carried out.

The council currently has two PFI contracts and one similar long-term contract, namely:

- Waste;
- Street Lighting;
- Care UK.

xiv. Property, plant and equipment (including assets held for sale)

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 are expected to be used during more than one financial year are classified as property, plant and equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (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.

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). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the council.

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

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

- infrastructure, community assets and assets under construction are held at depreciated historical cost;
- school buildings and fire stations are held at current value, but because of their specialist nature, are measured at depreciated replacement cost which is used as an estimate of current value;
- surplus assets are held at current value which is fair value estimated at highest and best use from a market participant's perspective;
- all other assets are held at current value determined as the amount that would be paid for the asset in its existing use.

For non-property assets (vehicles, equipment and plant) 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 re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. 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);
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

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 in the same way as for a revaluation loss.

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

Depreciation

Depreciation is provided for on all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land, community assets and heritage assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- buildings use a straight-line allocation over the useful life of the property as estimated by the valuer; usually up to 40 years.
- vehicles, plant, furniture and equipment use a straight-line allocation over the useful life of the asset as estimated by a suitably qualified officer. This is usually between 3 and 20 years depending on the type of asset.
- infrastructure assets use a straight-line allocation over the useful life of the asset as estimated by a suitably qualified officer. This can be up to 7 years for minor works and up to 40 years for bridge strengthening.

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.

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Disposals and non-current assets held for sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The asset is re-valued 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 line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously 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 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 charged as an impairment to the Other Operating Income & Expenditure line in the Comprehensive Income and Expenditure Statement. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement 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). The asset is then derecognised at zero value. 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, are credited to the Capital Receipts Reserve and can then only be used for new capital investment. 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. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

For schools that have attained Academy status and disengaged from the council, the net book value of the land and building is de-recognised from the Balance Sheet through a charge to the Financing & Investment Income & Expenditure line of the Comprehensive Income & Expenditure Statement and then reversed out to the Capital Adjustment Account through the Movement in Reserve Statement to ensure there is no impact on the General Fund.

xv. Investment properties

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

Investment properties are measured initially at cost and subsequently at fair value, which is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Investment properties are not depreciated but are re-valued annually according to market conditions at year end with gains and losses on revaluation being posted to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement; the same treatment is applied to gains and losses on disposals.

Net rental income received is 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. These 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 Unapplied Capital Receipts Reserve.

xvi. 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.

xvii. 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.

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

When payments are eventually made, they are charged to the provision carried 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 recognised as income for the relevant service only if it is 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.

xviii. 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. When expenditure to be financed from a reserve is incurred, it is charged to the general fund in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. 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 policies.

xix. 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 is charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement. 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.

xx. Schools

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the Schools Standard Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (and do not result in a requirement to produce Group Accounts). Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the authority as if they were transactions, cash flows and balances of the authority.

xxi. Value Added Tax (VAT)

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

Note 3a: Accounting standards issued but not adopted

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the UK.

- **IFRS 3 Business Combinations:** This standard will require local authorities to disclose in its financial statements that a transfer of functions has taken place (including a brief description of the transferred function) giving the date of the transfer, the name of the transferring body and the effect on the financial statements. An authority that transfers functions to another authority or public sector entity shall also provide the same information in its financial statements. Where accounted for as a transfer by absorption, the authority should apply judgement as to whether the additional disclosure of historical financial performance of the function should be provided, to enable users to understand the operational performance.
- **Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark reform:** These standards (as adapted by the Code)) govern the recognition, measurement, presentation and disclosure of financial instruments as specified in the Code (although many requirements are inapplicable since all material financial instruments are carried at fair value through profit or loss

Note 4: Critical judgements in applying accounting policies

In applying the accounting policies set out in Note 3, 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 outlined below:

Issue	Judgement
Local government funding	There is a high degree of uncertainty about future levels of funding for local government. The Fair Funding Review has been delayed further for a second time due to the disruption caused by Coronavirus and will no longer take place in 2021 with no timeline for when it will commence. However, the Council has determined that this uncertainty is not sufficient to provide an indication that the assets of the council might be impaired as a result of a need to close facilities and reduce levels of service provision.
Grant conditions	The Council reviews its grants and contributions annually and where the contributions are conditional upon the money being expended in a specific way and the council is satisfied initially that the money could be expended as intended it is set aside in usable reserves (either earmarked revenue or capital unapplied) to be drawn down at a future date. Should circumstances change whereby the council decides that money can no longer be deployed as specified it would be transferred to receipts in advance prior to being refunded.
Carrying value of assets not revalued in 2020/21	The Council revalues its land & buildings assets on a 5 year rolling programme. This is permitted under the Code provided that the carrying value of the assets on the balance sheet is not materially different to the current value at the balance sheet date. In consultation with the Council’s valuers, the council has determined that whilst there have been inflationary pressures in the market that would increase the value of assets valued at Depreciated Replacement Cost, such as schools, these increases would be mitigated by deprecation to the asset over the relevant period. This means that the values are unlikely to be materially different at the balance sheet date. All valuations have been made in light of the impact of COVID-19 and is the best estimate of the valuers at the time of valuation.
Schools accounting	The Code specifies that, under accounting definitions, local authority maintained schools (community, foundation, voluntary aided and voluntary controlled, but not academies or free schools) are separate entities under the control of local authorities for financial reporting purposes and meet the criteria for producing group accounts. However, in order to simplify the consolidation process and to avoid consolidating a considerable number of smaller entities the Code of Practice also confirms that the definition of the single entity financial statements includes all transactions of local authority schools (income, expenditure, assets, liabilities, reserves and cash flows) so instead of being consolidated in group accounts they are consolidated in the main council accounts. The school as an entity means the management of the school i.e. the governing body, including the head teacher, and the resources it controls rather than the physical fabric of the buildings and grounds. Whether the school as an entity

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includes the premises and land that the schools operate from will depend on whether these assets are controlled by the school management using the relevant recognition tests for non-current assets included in the Code.

In line with guidance produced by CIPFA for recognising school non-current assets, the Council has determined that all foundation schools meet the recognition requirements in the code for Property, Plant and Equipment and has recognised these assets on the balance sheet.

The Council has also determined, in line with the CIPFA guidance, that the voluntary aided schools in the county do not need to be recognised on the balance sheet. This is because, theoretically, the religious body could take away the right of the Council to use the asset and therefore it does not meet the recognition requirements of the code. The Council has reviewed the voluntary aided arrangements in the county with the relevant Dioceses and has not come across any examples that contradict this view.

The non-current assets of Foundation schools that convert to academy status are impaired to nil and an impairment charge is made against the Financing and Investment Income and Expenditure line in the Comprehensive Income & Expenditure Statement. The impairment charge is then reserved out of the general fund and applied against the capital adjustment account (CAA) through the movement in reserves statement. This ensures that the taxpayer is not double charged for the same asset and is consistent with the statutory accounting regulations for charges against the general fund.

PFI and similar contracts

The Council is deemed to control the services provided under outsourcing agreements, and has an interest in the assets at the end of the agreement, for four contracts:

- In 1998 the Council entered into a long-term contract with Anchor Trust for the purchase of residential and day care for the elderly in 17 homes previously operated by the council. This PFI contract ended in 2020.
- In 2002 the Council entered into a further long-term contract for the provision of 7 residential and day care homes with Care UK.
- In 1999 the Council entered into a 25-year contract for waste disposal with Surrey Waste Management.
- In 2010 the Council entered into a long term contract with Skanska John Laing for street lighting services, including the replacement or refurbishment of all street lights in Surrey and continued maintenance of the lights for the duration of the contract. Following ownership changes, the contract is now delivered by Equitix. In order to maximise value for money, in 2020 the Council worked with Equitix and the Department for Transport to refinance contract debt, which has led to a saving to the Council.

The accounting policies for PFI schemes and similar contracts have been applied to these arrangements and the assets are recognised as property, plant and equipment on the Council's Balance Sheet (see note 36 for additional details).

The waste disposal PFI includes investment in a number of waste disposal assets. These have all been recognised on the Council's balance sheet including an asset under construction of £29.0m for the Eco Park as at 31 March 2021 (£29.0m as at 31 March 2020).

Interests in other entities

The Council has considered all its relationships and interests in other entities and has determined that it has the ability to control or significant influence the economic activities of following organisations:

- Hendeca (formerly S.E. Business Services Ltd) - is a Local Authority Trading Company wholly owned by the Council. The company was set up for the provision of business services and was incorporated on 20 June 2013. The economic activity of this company has been incorporated into the group accounts.
- Surrey Choices Ltd - is a Local Authority Trading Company wholly owned by the Council. The company was set up for the delivery of day services and community support options for people with disabilities and older people. The company was incorporated on 10 March 2014 but did not begin trading until August 2014. The economic activity of this company has been incorporated into the group accounts.
- Halsey Garton Property Ltd – is a Local Authority Trading Company wholly owned by the Council to make property investments. It is a holding company and has three subsidiaries; Halsey Garton Property Investments Ltd, Halsey Garton Property Developments Ltd and Halsey Garton Residential Ltd. To date, only the holding company and Halsey Garton Property Investments Ltd have commenced trading and therefore only the economic activity of these companies has been incorporated into the group accounts.
- Henrietta Parker Trust - the Council does exercise control over the Henrietta Parker Trust, the income of which supports adult learning. However, the economic activity of this trust fund is not deemed material and therefore the trust has not been incorporated into the group accounts.

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Note 5: Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures based on assumptions about the future or that are otherwise uncertain. Estimates take into account historical experience, current trends and other relevant factors. In addition, contingent assets and liabilities, which are not reflected in the statements, are assessed and disclosed in Note 39, and any material items are disclosed in note 6.

The items in the council's Balance Sheet at 31 March 2021 for which significant assumptions have been made are set out in the table that follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain whether authorities will be able to sustain spending on repairs and maintenance, bringing into question the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by around £1.2m for every year that useful lives had to be reduced.
	Assets are valued based on estimates and assumptions at a point in time but market conditions can fluctuate, the effect of which may be increased by the Covid-19 pandemic.	A reduction in value could be increase revaluation losses and lees than estimated sale proceeds from disposals
Council Tax and Business Rates Baseline	There is a high degree of uncertainty around the council tax and business rates base. The onset of the COVID-19 pandemic has seen a number of households fall into council tax support, which will lower the council tax base and thus the income from council tax.	The requirement for business premises may reduce, which will also have an impact on the amount of business rates collectable. This is likely to impact the collection fund in future years. It is unclear at this stage if the assets of the council might be impaired as a result of a need to close facilities and reduce levels of service provision.
Pensions Liability	The Council's actuary advises on the sensitivity analysis to be applied to the calculation for estimating the net pension liability. The calculation is dependent upon 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. The actuaries have also taken into consideration the estimated effects of COVID-19 in 2020/21 return on asset valuation. With the considerable market volatility leading into 31 March 2021 due to COVID-19, there has been additional uncertainty regarding the Fund's	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a decrease of 0.5% in the real discount rate would result in an increase in the pension liability of £383m for the LGPS and £68m for the firefighters' pension fund. A 1 year increase in member life expectancy would potentially result in an increase in the pension liability of up to £138m for the LGPS and £21m for the firefighters' pension fund.

	investment valuations, specifically private equity and property.	A reduction in the value of the assets would increase the net pension liability on the Council's balance sheet.
Debtors	At 31 March 2021, the Council had a balance of £153m on short term debtors (including government grants, receipts in advance and the Council's share of Council Tax and Business Rates debtors). A credit risk review suggested that an impairment level of £25m for doubtful debts was sufficient.	Debtors are monitored regularly and should general debtors rise in 2020/21 the Council may consider raising its provision for bad and doubtful debt. This provision is reviewed quarterly.
Fair value measure-ments	When the fair values of assets and liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible, judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets. Where Level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example the investment properties and surplus asset valuations are done by expert firms).	The Council uses a combination of valuation techniques to measure the fair value of some of its investment properties and surplus assets. These include comparable open market value, floor areas, tenancies, rent reviews, planning and all other ongoing management issues. Significant changes in any of the observable inputs would result in a significantly lower or higher fair value measurement for the investment properties and surplus assets. With our valuers less confident of the accuracy of their opinions there is a greater risk that the proceeds of any sale of assets would be less than estimated.

Note 6: Events after the balance sheet date

The statement of accounts is adjusted to reflect events after the Balance Sheet date, 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 that provide evidence of conditions that existed at the end of the reporting period, unless deemed insignificant to the true and fair view of the Council's assets and liabilities. Those events taking place after the date of authorisation for issue will not be reflected in the statement of accounts.

The UK government imposed coronavirus (covid-19) lockdown measures in England on 26 March 2020 and subsequently revised and extended them. As a result, many workers were furloughed and almost all schools, businesses, venues, facilities and amenities were closed. Although March saw the first few weeks of the covid-19 crisis, the full financial consequences have fallen in 2020/21 and future years and therefore is considered as a non-adjusting event with conditions arising after the reporting date

The financial impact on COVID-19 in 20/21 was not material on reserves, and was reflected in the year end valuations of our assets. The events after the reporting period do not indicate that the Council would be unable to continue as a going concern.

Note 7: Material items of income and expenditure

Included in the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement (CIES) is an impairment charge of £42.7m related to the derecognition of academy schools (£27.9m in 2019/20). When a school changes status to an academy, the ownership of the land and buildings transfers from the Council to the school. The assets are written out of the balance sheet and an accounting adjustment is made against the Financing and Investment line in the CIES. During 2020/21, 7 schools transferred to academy status (11 in 2019/20).

Covid-19 has had a significant financial impact in 2020/21 as set out below.

- Surrey County Council received £58.7m of MHCLG Emergency Grant and £4.6m of MHCLG Income Compensation Scheme; £63.3m total
- £0.9m was spent in 2019/20 and a further £56.2m deployed in 2020/21 through a series of budget resets
- A £6.2m balance will therefore be added to the CV-19 contingency in 2021/22
- In addition, £81m of specific grants were used to fund the CV-19 response, bringing total costs in 2020/21 to £137m (c.13% of the Council's net budget)
- The £137m total impact includes:
    - £41.7m of specific CV-19 grants to support infection control, rapid testing in ASC services and ASC workforce capacity
    - £25.2m additional costs of hospital discharge, care package expenditure and ASC staffing costs
    - £9.0m ASC provider support
    - £10.1m Contain Outbreak Management Fund and Rapid Test Fund
    - £6.6m Local Resilience Forum Cells expenditure
    - £4.9m Increased costs of Waste Management
    - £12.6m lost income

Note 8: Adjustments between accounting basis and funding basis under regulations

This note sets out the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the 2020/21 financial year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

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

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which until 2016/17 were restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

From 2016/17, under the Flexible Use of Capital Receipts strategy, local authorities were given the power to use capital receipts from the disposal of property, plant and equipment assets, to spend on the revenue costs of reform projects. Any expenditure must be on projects that are designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs.

Capital Grants Unapplied

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

2020/21	General Fund and Earmarked Reserves	Capital Receipts Reserve	Capital grant & contributions unapplied reserve
	£000	£000	£000
Adjustments to the Revenue Resources			
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:			
Pension costs (transferred to Pension Reserve)	(64,650)		
DSG Deficit (transferred to DSG Adjustment Account)	(34,474)		
Council tax and business rates (transfers to Collection Fund)	0		
Holiday pay (transferred to the Accumulated Absences Reserve)	(5,805)		
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):			
Charges for depreciation and impairment of non-current assets	(80,204)		
Revaluation gain on property, plant & equipment	520		
Other movements in valuation on property, plant and equipment			
Movement on fair value on investment property	(11,009)		
Amortisation of intangible assets	(1,423)		
IFRS9 Capital Impairments			
Disposal of academies	(42,656)		
Net gain/(loss) on disposal of investment property			
Net gain/(loss) on disposal of financial assets			
Revenue expenditure funded from capital under statute	(24,751)		
Deferred Income in respect of PFI schemes	1,058		
Reversal of donated asset adjustment	10,730		
Net book value of disposals and derecognitions	13,262		
Capital grants & contributions unapplied credited to the Comprehensive Income & Expenditure Account	88,677		(88,677)
Total Adjustments to the Revenue Resources	**(150,725)**		**(88,677)**
Adjustments between Revenue & Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve		(48,405)	
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	31,542		
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	6,455		
Total Adjustments between Revenue & Capital Resources	**37,997**	**(48,405)**	**0**
Adjustments to Capital Resources			
Application of capital grants to finance capital expenditure			86,794
Application of capital receipts to reduce capital financing requirement		21,700	
Use of Capital Receipts to fund Revenue Expenditure	(7,212)	7,212	
Total Adjustments to capital resources	**(7,212)**	**28,912**	**86,794**
Total Adjustments	**(119,939)**	**(19,493)**	**(1,883)**

2019/20

	General Fund and Earmarked Reserves	Capital Receipts Reserve	Capital grant & contributions unapplied reserve
	£000	£000	£000
Adjustments to the Revenue Resources			
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:			
Pension costs (transferred to Pension Reserve)	(94,101)		
Council tax and business rates (transfers to Collection Fund)	(26,095)		
Holiday pay (transferred to the Accumulated Absences Reserve)	1,139		
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):			
Charges for depreciation and impairment of non-current assets	(75,069)		
Revaluation gain on property, plant & equipment	(4,229)		
Other movements in valuation on property, plant and equipment			
Movement on fair value on investment property	(4,007)		
Amortisation of intangible assets	(1,080)		
IFRS9 Capital Impairments	30		
Disposal of academies	(27,944)		
Revenue expenditure funded from capital under statute	1,050		
Net gain/(loss) on disposal of investment property	1,536		
Net gain/(loss) on disposal of financial assets	(29,485)		
Deferred Income in respect of PFI schemes	998		
Reversal of donated asset adjustment	77		
Net book value of disposals	(41,939)		
Capital grants & contributions unapplied credited to the Comprehensive Income & Expenditure Account	63,544		(63,544)
Total Adjustments to the Revenue Resources	**(235,575)**		**(63,544)**
Adjustments between Revenue & Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve		(17,540)	
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	19,030		
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	1,692		
Total Adjustments between Revenue & Capital Resources	**20,722**	**(17,540)**	
Adjustments to Capital Resources			
Application of capital grants to finance capital expenditure			81,076
Application of capital receipts to reduce capital financing requirement		6,654	
Use of Capital Receipts to fund Revenue Expenditure	(12,774)	12,774	
Total Adjustments to capital resources	**(12,774)**	**19,428**	**81,076**
Total Adjustments	**(227,627)**	**1,888**	**17,532**

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Note 9: Transfers to / from earmarked reserves

This note sets out the amounts set aside from the General Fund balance in earmarked reserves, to provide financing for future expenditure plans, commitments and possible liabilities and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2020/21.

	Balance at 31/03/19	Transfers In	Transfers Out	**Balance at 31/03/20**	Transfers In	Transfers Out	**Balance at 31/03/21**
	£000	£000	£000	**£000**	£000	£000	**£000**
Investment Renewals	**5,229**		(71)	**5,158**		(105)	**5,054**
Equipment Replacement	**2,943**	1,671	(734)	**3,880**	115	(662)	**3,333**
Budget Equalisation	**32,001**	16,856	(4,451)	**44,406**	40,678	(697)	**84,388**
Streetlighting PFI Fund	**3,098**		(636)	**2,462**		(636)	**1,826**
Insurance	**10,414**	321	(15)	**10,720**		(86)	**10,635**
Eco Park Sinking Fund	**16,414**	19,312	(8,000)	**27,726**	10,785	(15,400)	**23,111**
Capital Investment	**4,875**	88		**4,963**	2,426		**7,389**
Interest Rate	**1,000**			**1,000**	600		**1,600**
Economic Prosperity	**11,744**			**11,744**			**11,744**
Revolving Investment & Infrastructure Fund	**11,139**			**11,139**			**11,139**
Business Rate Appeals	**28,601**			**28,601**			**28,601**
Transformation		2,000	(244)	**1,756**		(688)	**1,068**
COVID-19 Emergency Fund		25,163	(929)	**24,234**		(18,099)	**6,135**
CFLC Inspection and System Improvements		1,250		**1,250**		(567)	**683**
Total General Fund Reserves	**127,458**	66,661	(15,080)	**179,039**	54,714	(37,048)	**196,706**
Schools Balances	**43,232**	3,967	(6,401)	**40,798**	12,490	(2,607)	**50,681**
Transfer of Schools Balances to Academies		1011	(1011)				
SEND High Needs Block	**18,675**	30,204	(247)	**48,632**	34,473		**83,105**
Total School Reserves	**61,907**	35,182	(7,659)	**89,430**	46,963	(2,607)	**133,786**
Revenue Grants Unapplied	**20,955**	4,410	(2,002)	**23,363**	890,950	(878,812)	**35,500**
Total Earmarked Reserves	**210,320**	**104,253**	**(22,741)**	**291,832**	992,627	(918,467)	**365,992**

Investment renewals reserve: Enables investment in service developments. The reserve makes loans to services for invest to save projects, which may be repayable. The recovery of the loan is tailored to the requirements of each business case, which is subject to robust challenge before approval as a part of the Council's governance arrangements.

Equipment replacement reserve: Enables services to set aside revenue budgets to meet future replacement costs of large equipment items. Services make annual revenue contributions to the reserve and make withdrawals to fund purchases.

Budget equalisation reserve: The budget equalisation reserve was set up to support future years' revenue budgets from unapplied income and budget carry forwards

Street Lighting PFI reserve: This reserve holds the balance of the street lighting PFI grant income over and above that used to finance the PFI to date. The balance in this reserve will be used in future years when the expenditure in year will exceed the grant income due to be received in the same year.

Insurance reserve: This reserve holds the balance resulting from a temporary surplus or deficit on the Council's self-insurance fund and is assessed by an actuary for the possible liabilities the Council may face. The company had limited funds to meet its liabilities, consequently, future claims against policy years covered by MMI may not be fully paid, so would be funded from this reserve.

Eco park sinking fund: To fund the future of the Council's waste disposal project from surpluses in the initial years.

Capital Investment reserve: The general capital reserve holds capital resources, other than capital receipts, available to fund future capital expenditure.

Interest rate reserve: This reserve is to enable the Council to fund its capital programme from borrowing in the event of an expected change in interest rates or other borrowing conditions.

Economic Prosperity reserve: This reserve will be used to fund projects that will increase economic development in the county. This reserves includes a balance that was previously held separately in a reserve called Economic Downturn reserve.

Revolving investment & infrastructure fund: The revolving infrastructure & investment fund was established in the 2013-18 Medium Term Financial Plan in order to provide the revenue costs of funding infrastructure and investment initiatives that will deliver savings and enhance income in the longer term.

Business rate appeals reserve: As part of the localisation of business rates the Council is liable to refund businesses for its share of business rates if it is determined that a business has been overcharged rates. This reserve will be used to fund any successful appeals. As a pilot authority for the 100% Business Rates Retention Scheme the Council received additional benefits from the collecting authorities releasing provisions for appeals.

Transformation Reserve: This reserve is to provide a source of funding for the Council to invest in the continuing transformation of its services

COVID-19 Emergency Funding reserve: Funding received to support the authority to fund the loss of income and extra costs for 2020/21 and beyond arising from COVID-19.

CFLC Inspection and System Improvements reserve: This reserve will be used to fund additional costs in preparation for the OFSTED re-inspection as well as reviewing and renewal of the monitoring and recording case system for children social care services.

School balances: Balances related to delegated school budgets. The statutory authority to commit the resources rests with school governors.

SEND High Needs Block reserve: Expenditure on High Needs Block should be covered by DSG (Dedicated School Grant). Until this funding is confirmed and received from the Department for Education, the Council has created an earmarked reserve, funded from the revenue budget, to mitigate this risk. A corresponding credit entry has been made under the school reserves line.

Revenue Grants Unapplied reserve: This reserve holds government revenue grants received in previous financial years which will be used to fund expenditure in the future.

Note 10: Other operating income and expenditure

Net Expenditure 2019/20 £000		Gross Expenditure 2020/21 £000	Income 2020/21 £000	**Net Expenditure 2020/21 £000**
1,108	Land Drainage Precept	1,239		**1,239**
(2,477)	Contributions from Trading Services	17,615	(15,102)	**2,513**
(348)	(Gain) or Loss on disposal of non-current assets		(13,262)	**(13,262)**
(1,717)		**18,854**	**(28,364)**	**(9,510)**

Note 11: Financing and investment income and expenditure

The council earns income in the form of interest on its cash balances and lending and incurs interest charges on its outstanding debt and leases. In addition, it pays interest to third parties on the balances held on their behalf, including Surrey Police and Crime Commissioner and various trust funds.

The table below shows the interest paid, interest received and other similar charges during the year.

Net Expenditure 2019/20 £000		Gross Expenditure 2020/21	Income 2020/21	**Net Expenditure 2020/21**
32,696	Interest payable and similar charges	18,246		**18,246**
43,763	Net interest on the net defined benefit liability (Note 38)	77,890	(39,788)	**38,102**
(15,603)	Interest receivable and similar income		(15,455)	**(15,455)**
(1,581)	Net (gains)/losses on financial assets at fair value through profit and loss	225		**225**
(3,820)	Income & expenditure in relation to investment properties (Note 14)	12,252	(8,411)	**3,841**
27,944	Disposal charge for the derecognition of schools that transfer to Academy status	42,656		**42,656**
83,399		**151,269**	**(63,654)**	**87,615**

Note 12: Council tax and general grants & contributions

2019/20 £000		**2020/21 £000**
	Local taxation:	
(733,068)	- Council tax income	**(769,577)**
(88,785)	- Business rate income	**(116,647)**
	Grants and contributions:	
(101,590)	- Non ring-fenced government grants	**(128,562)**
(63,544)	- Capital grants and contributions	**(85,180)**
(986,987)		**(1,099,966)**

Note 13: Property, plant & equipment

Cost	Land and Buildings £000	Vehicle, Plant and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property Plant & Equipment £000
Balance at 1 April 2020	**1,281,081**	**72,973**	**1,069,476**	**7,259**	**33,067**	**36,503**	**2,500,359**
Additions*	112,519	13,677	77,871	294	489	10,126	**214,976**
Donations	10,730						**10,730**
Revaluations increases recognised in the Revaluation Reserve	48,055				576		**48,631**
Revaluations decreases recognised in the Revaluation Reserve	(9,283)				(336)		**(9,619)**
Revaluation increases (reversal of previous losses) recognised in the deficit on the CIES	15,468				609		**16,077**
Revaluation decreases recognised in the deficit on CIES	(24,151)				(60)		**(24,211)**
Transfers between asset classes	555		45			(601)	**(1)**
Derecognition & Disposals	(34,487)	(4,421)			(1,000)		**(39,908)**
Derecognition - Academies	(43,755)						**(43,755)**
Assets reclassified	1,590				1,315		**2,905**
At 31 March 2021	**1,358,322**	**82,230**	**1,147,392**	**7,552**	**34,660**	**46,029**	**2,676,185**
Accumulated Depreciation and Impairment							
at 1 April 2020	**(54,947)**	**(42,906)**	**(673,063)**		**(4)**		**(770,920)**
Depreciation charge	(31,669)	(6,365)	(41,945)				**(79,979)**
Impairment							
Depreciation written out to the Revaluation Reserve	23,933						**23,933**
Revaluation losses recognised in the CIES	3,146						**3,146**
Revaluation increases (reversal of previous losses) recognised in the CIES	5,507						**5,507**
Trans between asset classes							
Derecognition - Disposals	2,128	3,837					**5,965**
Derecognition - Academies	1,099						**1,099**
At 31 March 2021	**(50,743)**	**(45,433)**	**(715,008)**		**(4)**		**(811,188)**
Net Book Value							
at 31 March 2020	**1,226,134**	**30,067**	**396,413**	**7,259**	**33,063**	**36,503**	**1,729,439**
at 31 March 2021	**1,307,579**	**36,797**	**432,384**	**7,552**	**34,656**	**46,029**	**1,864,997**

Cost (revalued)	Land and Buildings £000	Vehicle, Plant and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property Plant & Equipment £000
Balance at 1 April 2019	**1,204,101**	**72,060**	**1,020,910**	**6,981**	**53,024**	**130,044**	**2,487,120**
Additions*	49,425	9,993	48,529	278	23	(12,739)	**95,509**
Donations		77					**77**
Revaluations increases recognised in the Revaluation Reserve	47,979				960		**48,939**
Revaluations decreases recognised in the Revaluation Reserve	(23,804)				(2,071)		**(25,875)**
Revaluation increases (reversal of previous losses) recognised in the deficit on the CIES	8,410				30		**8,440**
Revaluation decreases recognised on CIES	(11,377)				(6,027)		**(17,404)**
Transfers between asset classes	38,955	18	37		(1,171)	(38,514)	**(675)**
Derecognition - Disposals	(806)	(8,608)			(11,691)	(42,288)	**(63,393)**
Derecognition - Academies	(29,448)	(567)			(21)		**(30,036)**
Assets reclassified from Assets Held for Sale	(2,354)				11		**(2,343)**
At 31 March 2020	**1,281,081**	**72,973**	**1,069,476**	**7,259**	**33,067**	**36,503**	**2,500,359**
Accumulated Depreciation and Impairment							
at 1 April 2019	**(59,802)**	**(45,553)**	**(630,559)**		**(482)**		**(736,396)**
Depreciation charge	(26,947)	(5,619)	(42,504)				**(75,070)**
Depreciation written out to the Revaluation Reserve		(143)					(143)
Revaluation losses recognised in the Surplus/Deficit on CIES	25,081				140		**25,221**
Revaluation increases (reversal of previous losses) recognised on the CIES	2,566				146		**2,712**
Assets reclassified - Held for Sale	2,404						**2,404**
Transfers between asset classes							
Derecognition - Disposals	63	8,004			192		**8,259**
Derecognition - academies	1,688	405					**2,093**
At 31 March 2020	**(54,947)**	**(42,906)**	**(673,063)**		**(4)**		**(770,920)**
Net Book Value							
at 31 March 2019	**1,144,299**	**26,507**	**390,351**	**6,981**	**52,542**	**130,044**	**1,750,724**
at 31 March 2020	**1,226,134**	**30,067**	**396,413**	**7,259**	**33,063**	**36,503**	**1,729,439**

5 * These amounts include assets acquired under PFI schemes (see note 36), but excludes £29.4m revenue expenditure funded from capital under statute (£28.9m in 2019/20).

Revaluations

The council carries out a rolling programme that ensures that all Land and Buildings, except a small proportion of the portfolio for school's tied accommodation, required to be measured at current value is revalued at least every five years. Valuations of land and buildings were carried out by Bruton Knowles LLP, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations were carried out in light of COVID-19 and is the best estimate of the assets' values at 31 March 2021.

		Land and Buildings £'000
Carried at historical cost		230
Carried at current value not valued in last 5 years		19,037
Carried at current value . Last revalued as at:		
	31-Mar-17	156,628
	31-Mar-18	197,503
	31-Mar-19	216,804
	31-Mar-20	264,441
	31-Mar-21	452,936
	Total	**1,307,579**

Surplus assets are held at fair value and are excluded from the table above.

Revaluation changes

During 2020/21 the Council has recognised a net revaluation gain of £46.7m in total across all PPE classes. The result was a revaluation loss of £16.3m charged to the Comprehensive Income and Expenditure Statement, and a £63.0m gain offset from the balance in the revaluation reserve in relation to these assets. The majority of land and building assets are re-valued based on existing use value, as part of the five year rolling programme by external valuers. Schools buildings and fire stations are re-valued at direct replacement cost.

Capital commitments

At 31 March 2021, the Council has entered into a number of contracts for the acquisition/enhancement of Property, Plant & Equipment in 2020/21 and future years. The majority of these contracts are Schools Basic Need capital projects - total cost £20.9m (£21.6m as at 31 March 2020).

Additionally, ongoing capital contracts are in place for provision of rolling maintenance programmes across Property and Highways with a value that varies according to agreed works.

Note 14: Investment properties

The council has several properties purchased for future service needs or for the purposes of economic development which are currently being leased to private tenants, producing rental income. As the properties were solely being used to generate income at the 31 March 2021, under the code of practice they are classed as investment properties.

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (see note 11):

2019/20		**2020/21**
£000		**£000**
7,452	Rental income from investment property	**8,411**
(675)	Direct operating expenses arising from investment property	**(1,184)**
6,777	**Net gain/(loss)**	**7,227**
1,050	Gain on sale of investment property	**0**
(4,007)	Net gain/(loss) on fair value adjustments	**(11,067)**
3,820	**Income & expenditure in relation to investment properties**	**(3,840)**

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

2019/20		**2020/21**	Offices	Retail	Other	Fair Value Hierarchy
£000		**£000**	£000	£000	£000	
138,225	Balance at start of the year	**133,789**	128,512	4,050	1,227	Level 2
882	Additions	**1,122**	437	686		
189	Reclassification	**(1,590)**	(1,590)			
(1,500)	Disposals					
(4,007)	Net gain/(loss) from fair value adjustments*	**(11,010)**	(9,687)	(1,381)	58	
133,789	**Balance at end of the year**	**122,312**	117,672	3,355	1,285	Level 2

*the valuation of Investment Properties is based on prevailing market conditions and existing lease agreements as at 31 March 2021.

The fair value of the Council's investment properties has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy. The fair value calculation takes into account the prevailing market conditions and lease agreements in place as at 31 March 2021, with consideration given to the estimated effects of COVID-19.

The revaluation gain or loss does not impact upon the general fund of the Council – there are no adverse implications for the tax payer of any loss since financial adjustments of this nature are excluded from the calculation of the revenue requirements of the Council by statute. Any gain or loss is unrealised and it would only become a realised gain or loss if the Council decided to sell the asset at the time of the revaluation and at the revaluation value. The Investment Board, on behalf of the Council, is however able to determine whether to continue to hold the asset or whether to sell at a time of its choosing and as this is the case it is unlikely that there will be a realised loss since assets will generally only be sold when it is beneficial to do so.

Note 15: Foundation, voluntary aided and voluntary controlled schools and academies

A number of balances relating to schools are included within the Council's Statement of Accounts. However, certain types of schools are excluded from the Council's balance sheet.

Local authority maintained schools (community, foundation, voluntary aided and voluntary controlled, but not academies or free schools) are separate entities under the control of local authorities for financial reporting purposes and meet the criteria for producing group accounts. However, in order to simplify the consolidation process and to avoid consolidating a considerable number of smaller entities, the Code confirms that the definition of the single entity financial statements includes all transactions of local authority schools (income, expenditure, assets, liabilities, reserves and cash flows) so instead of being consolidated in group accounts they are consolidated in the main county council accounts.

The school as an entity means the management of the school i.e. the governing body including the head teacher and the resources it controls rather than the physical fabric of the buildings and grounds. Whether the school as an entity includes the premises and land that the schools operate from will depend on whether these assets are controlled by the school management using the relevant recognition tests for non-current assets included in the Code.

Foundation

Foundation schools are owned by a trust and the local council have a significant control over the school through funding arrangements, representation on the governing body of the school and legal rights around the disposal of assets. SCC has significant control over the resources inherent in an asset as a result of substantive and enforceable rights, therefore SCC has recognised foundation school assets on the balance sheet since 2014/15.

Voluntary aided

Voluntary aided schools are endowed by a trust and the Schools Standards Framework Act determines that the trustees own the school buildings and the governing bodies are responsible for the provision of premises and all capital work to school buildings. The Council is statutorily responsible for the land, consequently, values for the buildings have not been consolidated in this balance sheet, but values for the playing fields have been included as non-current assets.

Voluntary controlled

Voluntary controlled schools are owned by a charity but the local council runs the schools and employs the staff. The Council is normally the freeholder of the non-current assets and accordingly the school premises have been recognised as property, plant and equipment in this balance sheet.

Academies

During 2020/21, 11 schools had transferred to academy status (6 Community Schools, 4 Voluntary Aided Schools, and 1 Foundation School). Academy schools are owned and managed completely independently of the local authority and therefore the non-current assets have been excluded from this balance sheet.

Note 16: Financial instruments

Categories of Financial Instruments

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

Financial Assets	1 April 2020	31 March 2021
	£000	£000
Fair value through profit or loss		
Long Term Investments		
Cash	32,200	59,400
Total	**32,200**	**59,400**
	£000	**£000**
Amortised Cost		
Long Term Investments	92,949	96,051
Long Term Debtors	235,563	241,079
Short Term Investments		
Short Term Debtors	94,093	49,326
Cash	21,989	18,818
Total	**444,594**	405,274
Total Financial Assets	476,794	464,899
Non-Financial Assets	1,919,104	2,101,246
Total	**2,395,898**	**2,566,145**

Financial Liabilities	1 April 2020	31 March 2021
	£000	£000
Amortised Cost		
Long Term Borrowings	442,263	443,980
Short Term Borrowings	239,698	285,153
Short Term Creditors	142,127	150,434
PFI, Lease	98,366	98,252
Other 3rd Party Balances	1,970	5,634
Total Financial Liabilities	**924,424**	**983,453**
Non-Financial Liabilities	1,749,009	2,302,591
Total	**2,673,433**	**3,286,044**

Financial Instruments Designated at Fair Value through Profit or Loss

The balance of financial assets at 31 March 2021 was £466m, a decrease of £11m from the opening balance at 1 April 2020.

There were no financial liabilities designated at fair value through profit or loss.

Investments in Equity Instruments Designated at Fair Value through Other Comprehensive Income

No financial assets or liabilities were classed as fair value through other comprehensive income.

Reclassifications

No financial assets or liabilities were re-classified during the year.

Income, Expense, Gains and Losses

	2019/20		2020/21	
	Surplus or Deficit on the Provision of Services	Other Comprehens-ive Income and Expenditure	Surplus or Deficit on the Provision of Services	Other Comprehens-ive Income and Expenditure
	£000	£000	£000	£000
Net gains/(losses) on:				
Financial assets measured at fair value through profit or loss – fair value	1,536		(255)	
Financial assets measured at fair value through profit or loss – dividend	(15)			
Total net gains /(losses)	**1,521**		**(225)**	
Interest revenue:				
Financial assets measured at amortised cost	(15,335)		(15,396)	
Interest expense:				
Financial assets measured at amortised cost	32,626		18,246	

Fair Value

Basis for recurring fair value measurements:

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

Fair Value of Financial Assets

Some of the authority's financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	As at 31/3/20 £000	As at 31/3/21 £000
Fair Value through Profit or Loss				
Cash (Money Market Funds)	Level 1	Unadjusted quoted prices in active markets for identical shares	32,200	**59,400**

Transfers between Levels of the Fair Value Hierarchy

There were no transfers between levels 1 and 2 during the year.

Changes in the Valuation Technique

There has been no change in the valuation technique used during the year for the financial instruments.

Reconciliation of Fair Value Measurements for Financial Assets Carried at Fair Value Categorised within Level 3 of the Fair Value Hierarchy for Financial Assets

There were no instruments, measured at fair value, that were at level 3 in the hierarchy.

Fair Values of Financial Assets and Financial Liabilities that are not measured at fair value but for which fair value disclosures are required

Except for the financial assets carried at fair value, all other financial liabilities and financial assets represented by amortised cost and long-term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the PWLB payable, PWLB prevailing market rates have been applied to provide the fair value under PWLB debt redemption procedures.
- For non-PWLB loans payable, PWLB prevailing market rates have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

5

The fair values calculated are as follows:

Financial Liabilities	31 March 2020		31 March 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Long Term Borrowings - PWLB	426,246	603,008	423,580	605,880
Long Term Borrowings - Other	16,017	22,360	20,400	26,828
Short Term Borrowings	239,698	239,698	285,153	285,153
Short Term Creditors	142,127	142,127	150,434	150,434
PFI, Lease	98,366	167,525	98,252	152,107
Other 3rd Party Balances	1,970	1,970	5,634	5,634
Total	**924,424**	**1,176,688**	**983,453**	**1,226,036**

The fair value of borrowings is higher than the carrying amount because the portfolio of loans includes a number of fixed rate loans where the interest rate payable 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.

Financial Assets	31 March 2020		31 March 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Long Term Investments	92,949	92,949	96,051	96,051
Long Term Debtors	235,563	235,563	241,079	241,079
Short Term Debtors	94,093	94,093	49,326	49,326
Cash	21,989	21,989	18,818	18,818
Total	**444,594**	**444,594**	**405,274**	**405,274**

Short term debtors and creditors are carried at cost as this is a fair approximation of their value. Long term debtors are mainly made up of loans to the Council's investment property vehicle, Halsey Garton Property Ltd.

Fair value hierarchy of financial assets and financial liabilities that are not measured at fair value

	31 March 2021			
Recurring fair value measurements using:	**Quoted prices in active markets for identical assets (Level 1)**	**Other significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	£000	**£000**	**£000**	**£000**
Financial liabilities				
Long Term Borrowings		43,784		43,784
Short Term Borrowings		285,153		285,153
Short Term Creditors		150,434		150,434
PFI, Lease			152,107	152,107
Other 3rd Party Balances		5,634		5,634
Total		**485,005**	**152,107**	**637,112**
Financial assets				
Long Term Debtors		241,079		241,079
Long Term Investments			96,276	96,276
Short Term Debtors		49,326		49,326
Cash		18,818		18,818
Total		**309,223**	**96,276**	**405,499**

The fair value for financial liabilities and financial assets that are not measured at fair value included in levels 2 and 3 in the table above have been arrived at using a discounted cash flow analysis, with the most significant inputs being the discount rate.

The fair value for financial liabilities and financial assets that are not measured at fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions.

Financial Assets

- average rate of interest at 31 March 2021 of 0.01% for loans receivable, based on new lending rates for equivalent loans at that date;
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

Financial Liabilities

- no early repayment is recognised;
- average rate of interest rates at 31 March 2021 of 0.09% for loans payable based on new lending rates for equivalent.

Nature and extent of risks arising from Financial Instruments

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

- **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.
- **Re-financing risk -** the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- **Market risk** -the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates or stock market movements.

Overall procedures for managing risk

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.

The procedures for risk management are set out through a legal framework based on the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution;
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
  - The Council's overall borrowing;
  - Its maximum and minimum exposures to the maturity structure of its debt;
  - Its management of interest rate exposure;
  - Its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties.

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

The annual treasury management strategy which incorporates the prudential indicators was approved by the Audit and Governance Committee on 29 January 2020 and is available on the Council website.

The key issues within the strategy were:

- The Authorised Limit for 2020/21 was set at £1,696m. This is the maximum limit of external borrowings or other long-term liabilities;
- The Operational Boundary was set at £1,108m. This is the expected level of debt and other long-term liabilities during the year;

- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 32% based on the Council's net debt;
- The maximum and minimum exposures to the maturity structure of debt.

Risk management is carried out by a central treasury team, under policies approved by the Council in the annual treasury management strategy. The 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.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers. This risk is minimised through the Annual Investment Strategy, which is available on the authority's website.

Credit Risk Management Practices

The Council's credit risk management practices are set out in the Annual Investment Strategy. With particular regard to determining whether the credit risk of financial instruments has increased significantly since initial recognition.

The Annual Investment Strategy requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category.

The credit criteria in respect of financial assets held by the Council are detailed below:

The Council uses the creditworthiness service provided by Link Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and Poor's, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries

The full Investment Strategy for 2020/21 was approved by the Audit and Governance Committee on 29 January 2020 and is available on the Council's website.

Customers for goods and services 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 majority of the Council's long term debtors and investments are with the subsidiary company Halsey Garton, which is an investment property vehicle. While there are inherent market risks of changes in value of investment property, the Council has full control of the company so the risk of default is deemed to be negligible. The investment portfolio is spread between a variety of locations and uses, reducing the risk of a loss of value in one area.

A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2021 that this was likely to crystallise.

Amounts Arising from Expected Credit Losses (ECL)

The changes in loss allowance during 2020/21 are as follows:

5

	12 Month ECL	Lifetime ECL	Lifetime ECL – Simplified Approach	Total
	£000	£000	£000	£000
Opening balance 1 April 2020	1,633		9,844	11,477
Change in credit loss	(30)		301	271
Closing balance 31 March 2021	1,603		10,145	11,748

12 Month ECL includes some third party loans. Lifetime ECL simplified includes debtor system invoices (previously presented as provision for bad debt).

Collateral – During the reporting period the Council held no collateral as security.

Liquidity risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Treasury Management Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial assets, including sums due from customers, is as follows:

	31 March 2020	31 March 2021
	£000	£000
Less than one year	148,282	127,544
Between one and five years		
More than five years	328,512	337,355
Total	**476,794**	**464,899**

Refinancing and Maturity risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and

- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer-term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period (approved by Council in the Treasury Management Strategy):

	Approved Minimum Limit	**Approved Maximum Limit**	**31 March 2020**	**31 March 2021**
	%	**%**	**%**	**%**
Less than one year	0%	50%	35%	35%
Between one and two years	0%	50%	0%	0%
Between two and five years	0%	50%	1%	1%
Between five and ten years	0%	75%	8%	8%
More than ten years	25%	100%	56%	56%

Market risk

Interest rate risk - The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the balance sheet, 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 payable and receivable on variable rate borrowings and investments will be posted to the 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 will be reflected in the Other Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance, during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

Price risk

The Council, excluding the pension fund, does not generally invest in equity shares or marketable bonds.

Foreign exchange risk

The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

Note 17: Short term debtors

31/03/2020		**31/03/2021**
£000		**£000**
4,386	HMRC Debtors	6,455
17,914	Accounts Receivable Debtors	26,926
35,340	Collection Fund Debtors	31,525
20,772	Adult Social Care Debtors	20,515
12,237	Payments in Advance	17,220
47,207	Other Debtors	50,202
137,856	**Total**	**152,843**

Note 18: Cash and cash equivalents

The balance of cash and cash equivalents is made up of the following elements:

31/03/20		**31/03/21**
£000		**£000**
21,989	General account	18,818
32,200	Money market funds	59,400
54,189	**Total cash and cash equivalents**	**78,218**

Note 19: Assets held for sale

Assets held for sale (current) 31/03/2020		**Assets held for sale (current) 31/03/2021**
£000		**£000**
400	**Balance outstanding at 1 April**	**2,515**
	Assets newly classified as held for sale:	
	- Property, plant and equipment	
2,354	Assets de-classifieds as held for sale	**(1,315)**
800	Revaluation gain	
(1,039)	Revaluation loss	
	Assets sold*	**(1,200)**
2,515	**Balance outstanding at 31 March**	**0**

* Of the total assets sold in 2020/21, all relates to land and property included in the opening balance.

Note 20: Creditors

31/03/20 £000		31/03/21 £000
(19,032)	HMRC Creditors	**(21,162)**
(29,557)	Accounts Payable Creditors	**(25,575)**
(17,726)	Collection Fund Creditors	**(28,925)**
(52,033)	Receipts in Advance	**(26,643)**
(98,236)	Other Creditors	**(123,134)**
(216,584)	**Total**	**(225,439)**

Note 21: Provisions

	Business Rates Appeals	Insurance liabilities	Equal pay	Fire fighters Pensions Fund	Redundancy	Other provisions	Total provisions
	£000	£000	£000	£000	£000	£000	**£000**
Balance at 1 April 2020	7,880	5,162	3,500	3,000	675	1,295	**21,512**
Additional provisions made in 2020/21					678	1,969	**2,647**
Amounts used in 2020/21		(1)			(669)		**(670)**
Unused amounts reversed in 2020/21							
Balance at 31 March 2021	7,880	5,161	3,500	3,000	684	3,264	**23,489**
Current Provisions					684	3,264	**3,949**
Non-Current Provisions	7,880	5,161	3,500	3,000			**19,540**
	7,880	5,161	3,500	3,000	684	3,264	**23,489**

	Business Rates Appeals	Insurance liabilities	Equal pay	Fire fighters Pensions Fund	Redundancy	Other provisions	Total provisions
	£000	£000	£000	£000	£000	£000	**£000**
Balance at 1 April 2019	27,763	5,162	3,500	3,000	5,913	1,498	**46,836**
Additional provisions made in 2019/20					675		**675**
Amounts used in 2019/20					(5,913)	(3)	**(5,916)**
Unused amounts reversed in 2019/20	(19,883)					(200)	**(20,083)**
Balance at 31 March 2020	7,880	5,162	3,500	3,000	675	1,295	**21,512**
Current Provisions					675	60	**735**
Non-Current Provisions	7,880	5,162	3,500	3,000		1,235	**20,777**

7,880	5,162	3,500	3,000	675	1,295	**21,512**

Business rates

Since the introduction of Business Rates Retention Scheme, local authorities have been liable for successful appeals against business rates charged to businesses in their proportionate share. Therefore, a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2021. The council's provision for the business rates appeals is based on our share of the provision calculated by each of the 11 borough and district councils in Surrey.

Insurance

The provision for insurance liabilities represents the assessed future claims on the county council's self-insurance fund. The fund was established to enable the county council to move towards self-insurance and is now considered to fully cover service risks. The fund and its liabilities are subject to review by the Council's actuaries and the last review took place during 2015/16. The council has an earmarked reserve to cover any unknown future liabilities. In May 2016, a levy payment of £695,000 in relation to Municipal Mutual Insurance (MMI) was drawn down from this provision.

Unequal pay claim

The balance on the unequal pay provision is to fund any potential liability resulting from a potential breach of national minimum wage requirements for 'on call' payments to sleepover carers.

Firefighters Pensions

Historically retained (on-call) firefighters were precluded from membership of the Fire Pension Scheme. Since 6th April 2006 they have been entitled to join the modified 2006 Fire pension scheme. An exercise is currently underway to identify those staff who are eligible to join the scheme. Should those identified decide to take up that option, then the County Council will be required to make back-dated pension contributions.

Redundancy costs

As at 31 March 2021 there is a provision of £0.7m to cover the cost of redundancies agreed during 2020/21 but for which the expenditure will not be incurred until 2021/22.

Other provisions

A number of other smaller provisions have been identified.

Note 22: Usable reserves

Movements in the Council's usable reserves are summarised in the table below (see Movement in Reserves Statement and notes 8 and 9 for detail).

	Balance at 1 April 2020	Move to DSG Adjust Acct	Restated Balance at 1 April 2020	Transfers In	Transfers Out	**Balance at 31 March 2021**
	£000	£000	£000	£000	£000	**£000**
Revenue						
General Fund Balance	24,156		24,156	3,880		**28,036**
Earmarked Reserves	243,200	48,632	291,832	991,821	(917,660)	**365,993**
Total revenue reserves	267,356	48,632	315,988	995,701	(917,660)	**394,029**
Capital						
Capital Grant Unapplied	93,078		93,078	88,677	(86,794)	**94,961**
Capital Receipts Reserve	44,970		44,970	48,405	(28,912)	**64,463**
Total capital reserves	138,048	0	138,048	137,082	(115,706)	**159,424**
Total usable reserves	405,404	48,632	454,036	1,132,783	(1,033,366)	**553,453**

Note 23: Unusable reserves

Unusable reserves are kept to manage the accounting processes for items such as non-current assets, financial instruments, retirement and employee benefits. They do not represent usable resources for the Council and are not backed by cash balances.

31/03/20		**31/03/21**
£000		**£000**
(579,445)	Revaluation Reserve	(588,845)
(379,662)	Capital Adjustment Account	(396,881)
19	Financial Instruments Adjustment Account	19
1,642,468	Pensions Reserve	2,170,813
(5,920)	Collection Fund Adjustment Account	(5,920)
0	DSG Adjustment Account	83,106
5,479	Accumulated Absences Account	11,284
682,939		**1,273,575**

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:

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

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

31/03/20		31/03/21	
£000		**£000**	**£000**
(563,317)	**Balance at 1 April**		**(579,445)**
(49,256)	Upward revaluation of assets	(72,637)	
971	Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the Provision of Services	9,631	
	Asset reclassification		
(48,285)	Surplus or deficit on revaluation of non-current assets not posted to the surplus or deficit on the Provision of Services		(63,006)
9,079	Difference between fair value depreciation and historical cost depreciation	10,695	
23,078	Accumulated gains on assets sold or scrapped	42,911	
32,157	Amount written off to the Capital Adjustment Account		53,606
(579,445)	**Balance at 31 March**		**(588,845)**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. The account contains accumulated gains and losses and gains recognised on donated assets that have yet to be consumed by the Council. The account also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

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31/03/20 £000		31/03/21 £000	31/03/21 £000
(436,655)	**Balance at 1 April**		**(379,662)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
75,069	Charges for depreciation and impairment of non-current assets	80,204	
(30)	Impairment or fair value adjustments under IFRS 9		
4,229	Revaluation losses/(gains) on Property, Plant and Equipment	(520)	
	Other movements in valuation on Property, Plant and Equipment		
4,007	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	11,009	
250	Disposal of financial assets	0	
1,080	Amortisation of intangible assets	1,423	
29,485	Revenue expenditure funded from capital under statute	24,751	
(998)	Deferred Income	(1,058)	
(77)	Donated Assets credited to the Comprehensive Income and Expenditure Statement	(10,730)	
61,509	Amounts of non-current assets written off on disposal or derecognition as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	34,888	
174,524			139,967
(9,079)	Adjusting amounts written out of the Revaluation Reserve		(10,695)
165,445	Net written out amount of the cost of non-current assets consumed in the year		129,272
	Capital financing applied in the year:		
(6,654)	Use of the Capital Receipts Reserve to finance capital expenditure	(21,700)	
(13,068)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(5,945)	
(68,008)	Application of grants to capital financing from the Capital Grants Unapplied Account	(80,849)	
(19,030)	Statutory provision for the financing of capital investment charged against the General Fund	(31,542)	
(1,692)	Capital expenditure charged against the General Fund	(6,455)	
(379,662)	**Balance at 31 March**		**(396,881)**

Financial Instrument Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The balance on the financial instrument adjustment account at the 31 March 2021 is for to the loss of interest on a soft loans issued by the Council in 2007/08 to Painshill Park Trust Ltd. There were no movements during 2020/21.

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as benefits are earned by employees through accruing years of service. Liabilities recognised on the Balance Sheet are updated to reflect inflation, changed assumptions and investment returns on any resources set aside to meet the costs. Statutory arrangements require benefits earned to be financed as the Council makes employer contributions to pension funds or when it 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.

31/03/20		31/03/21
£000		£000
1,798,283	**Balance at 1 April**	**1,642,468**
(249,916)	Actuarial (gains)/losses on pensions assets and liabilities	**463,695**
181,070	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income & Expenditure Account	**147,032**
(86,969)	Employer's pensions contributions and direct payments to pensioners payable in the year	**(82,382)**
1,642,468	**Balance at 31 March**	**2,170,813**

Collection Fund Adjustment Account

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

31/03/20		**31/03/21**
£000		**£000**
(32,015)	**Balance at 1 April**	**(5,920)**
26,095	Amount by which local taxation income credited to the Comprehensive Income and Expenditure Statement is different from local taxation income calculated for the year in accordance with statutory requirements	
(5,920)	**Balance at 31 March**	**(5,920)**

Dedicated Schools Grant Adjustment Account

The Dedicated Schools Grant Adjustment Account is a new unusable reserve. It is created in relation to the treatment of school budget deficits such as when there is a a deficit on a school budget relating to the its accounts for a financial year beginning on 1st April 2020, 1st April 2021 or 1st April 2022. The deficit must not be charged to a revenue account. This account records any such deficits thereby separating school budget deficits from Surrey County Council general fund for a period of 3 financial years.

31/03/20		31/03/21	**31/03/21**
£000		£000	**£000**
0	**Balance at 1 April**		**0**
0	Restatement of opening balance	48,632	
0	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		**34,474**
0	**Balance at 31 March**		**83,106**

Accumulated Absences Account

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

31/03/20		31/03/21	**31/03/21**
£000		£000	**£000**
6,618	**Balance at 1 April**		**5,479**
(6,618)	Settlement or cancellation of accrual made at the end of the preceding year	(5,479)	
5,479	Amounts accrued at the end of the current year	11,284	
(1,139)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		**5,805**
5,479	**Balance at 31 March**		**11,284**

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Note 24: Pooled budgets

Section 75 of the National Health Service Act 2006 enables health and local authorities to work together for a common objective. This may involve a pooled budget where all partners make a contribution. The main section 75 arrangement in Surrey is the Better Care Fund which was set up during 2015/16.

Better Care Fund

The Better Care Fund was announced in June 2013 to drive the transformation of local Adult Social Services to ensure that people receive better and more integrated care and support. The fund is deployed locally on health and social care through pooled budget arrangements between the Council and the local Clinical Commissioning Group (CCG).

The council entered into seven pooled budget arrangements in 2015/16, each representing a different CCG and area within Surrey. Each of the pooled budgets represents a joint arrangement with an equal proportion of ownership. The fund is managed by a Local Joint Commissioning Group (LJCG) which is a partnership between the Council, the local CCG and other key partners in the area involved in the provision of Adult Social Care.

The council acts as the 'host' authority for all these pooled budgets. The table below summarises the financial position of each pooled budget arrangement for 2020/21. The council recognises its share of income, expenditure, assets and liabilities in its accounts.

2020/21

	North West Surrey LJCG	Surrey Downs LJCG	Guildford & Waverley LJCG	East Surrey LJCG	Surrey Heath LJCG	North East Hampshire & Farnham LJCG	Windsor, Ascot & Maidenhead LJCG	Total
Funding provided to the pooled budget								
- Surrey County Council	(172)	(86)	(59)	(76)	(32)	(9)	(7)	**(441)**
- North West Surrey CCG	(22,741)							**(22,741)**
- Surrey Downs CCG		(19,034)						**(19,034)**
- Guildford & Waverley CCG			(13,246)					**(13,246)**
- East Surrey CCG				(15,138)				**(15,138)**
- Surrey Heath CCG					(6,446)			**(6,446)**
- North East Hampshire & Farnham CCG						(2,893)		**(2,893)**
- East Berkshire CCG							(774)	**(774)**
	(22,913)	(19,120)	(13,305)	(15,214)	(6,478)	(2,902)	(781)	**(80,713)**
Expenditure met from the pooled budget	22,653	18,432	12,915	11,526	5,811	2,789	690	**74,816**
(Surplus) or deficit	(260)	(688)	(390)	(3,688)	(667)	(113)	(91)	**(5,897)**
SCC Share	(130)	(344)	(195)	(1,844)	(334)	(56)	(46)	**(2,949)**

2019/20

	North West Surrey LJCG	Surrey Downs LJCG	Guildford & Waverley LJCG	East Surrey LJCG	Surrey Heath LJCG	North East Hampshire & Farnham LJCG	Windsor, Ascot & Maidenhead LJCG	Total
Funding provided to the pooled budget								
- Surrey County Council	(163)	(81)	(56)	(72)	(30)	(9)	(7)	(418)
- North West Surrey CCG	(21,647)							(21,647)
- Surrey Downs CCG		(18,101)						(18,101)
- Guildford & Waverley CCG			(12,609)					(12,609)
- East Surrey CCG				(11,237)				(11,237)
- Surrey Heath CCG					(5,863)			(5,863)
- North East Hampshire & Farnham CCG						(2,745)		(2,745)
- East Berkshire CCG							(726)	(726)
	(21,810)	(18,182)	(12,665)	(11,309)	(5,893)	(2,754)	(733)	(73,346)
Expenditure met from the pooled budget	22,193	18,095	12,662	11,268	6,039	2,745	670	73,672
Surplus or deficit (-)	383	(87)	(3)	(41)	146	(9)	(63)	326
SCC Share	191	(44)	(2)	(21)	73	(5)	(31)	161

Orbis Joint Operating Budget

Orbis is a partnership between Surrey County Council, East Sussex County Council and Brighton & Hove City Council that aims to provide seamless and resilient business services to the public sector, creating a compelling alternative to other providers. This decision is built on the successful collaboration between Surrey and East Sussex County Councils, established through a joint procurement function in 2012, and the provision of transactional shared services since April 2013. Brighton & Hove joined the partnership in October 2016.

The Orbis Partnership in 2020/21 incorporated the following services: Human Resources and Organisational Development, Property, IT and Digital, Procurement, Finance (including Internal Audit), Revenues and Benefits and Business Operations (Shared Services).

During 2020/21 Surrey, East Sussex and Brighton & Hove Councils operated a joint operating budget to fund business services.

2019/20			2020/21
£000			£000
	Funding provided to the pooled budget		
(33,430)	-	Surrey County Council	(17,218)
(13,644)	-	East Sussex County Council	(11,740)
(13,277)	-	Brighton and Hove City Council	(10,953)
(60,351)			(39,911)
60,351	Expenditure met from the pooled budget		39,911
0	Net surplus on the pooled budget		0

The council is also part of the following pooled budgets arrangements;

- Surrey integrated community equipment service for the supply of equipment to enable people with physical disabilities to live at home;
- Child and adolescent mental health service offering support and advice to young people experiencing mental health, emotional and behavioural problems;
- HOPE is a partnership that provides intensive support for young people with serious mental health needs;
- Surrey safeguarding children's board is a key statutory mechanism for agreeing how agencies in Surrey will cooperate to safeguard and promote the welfare of children in Surrey;

The financial performance of these budgets has been excluded from this note to the account on the basis of materiality.

Note 25: Member allowances

2019/20		**2020/21**
£000		**£000**
1,681	Member Allowances*	**1,643**
54	Member Expenses	**5**
1,735		**1,648**

*Includes the employer's contributions for national insurance £113k (2019/20, £119k).

Note 26: Officer remuneration – senior officers

Senior officers are specified as: all employees whose annualised salary is £150,000 or more; the head of paid services and any (non secretarial/clerical) person for whom the head of paid services is directly responsible, the directors of children and adult social services, the chief education officer, chief officer of a fire brigade, the section 151 officer and any other individuals who are directly accountable to the Council (committee or subcommittee) and earn £50,000 or more.

Remuneration includes salary/wages, bonuses, expenses, allowances and benefits (chargeable to United Kingdom income tax), compensation for loss of office and employer pension contributions paid in 2020/21. Compensation for loss of office is included even though this is excluded from the general definition of remuneration. Costs for interim senior officers are also included in the salary column, these include the fees payable to employment agencies

Individuals whose remuneration is £150,000 or more per year must be named whereas those earning below £150,000 must be identified by way of job title alone. The remuneration of the Council's senior officers is disclosed in the table below:

Post	Year	Salary	Expense allowance	Compens-ation for Loss of Earnings	Total remuneration excluding pension contributions	Pension contribut-ions	Total remuneration including pension contributions
		£	£		£	£	£
Chief Executive – Joanna Killian	20/21	234,600			234,600		234,600
	19/20	220,728			220,728		220,728
Deputy Chief Executive (1) – Michael Coughlin	20/21	178,500			178,500	26,418	204,918
	19/20						
Executive Director for Children, Families Lifelong Learning and Culture (2) – Rachael Wardell	20/21	53,925			53,925	7,981	61,906
	19/20	190,000			190,000		190,000
Executive Director 0f Strategic Commissioning (3) – Rachel Crossley	20/21	137,761			137,761	20,389	158,150
	19/20						
Executive Director, Adults Social Care (4) – Simon White *	20/21	177,116			177,116		177,116
	19/20	289,660	722		290,382		290,382
Executive Director for Highways, Transport and Environment (5)	20/21	137,287			137,287		137,287
	19/20	44,176		60,000	104,176	5,443	109,619
Executive Director for Corporate Resources (6) – Leigh Whitehouse *	20/21	188,700			188,700	(2,282)	186,418
	19/20	237,150	121		237,271	20,535	257,806
Executive Director for Transformation, Partnerships and Prosperity (7)– Marie Snelling	20/21	129,734			129,734	19,201	148,934
	19/20	175,000			175,000	25,900	200,900
Director for Community Protection and Emergencies	20/21	134,520			134,520	18,234	152,754
	19/20	126,299			126,299	18,675	144,974
Total 2020/21		**1,372,143**	**0**	**0**	**1,372,143**	**89,940**	**1,462,082**
Total 2019/20(8)		**1,401,277**	**843**	**138,514**	**1,540,634**	**75,392**	**1,616,026**

*Salary includes agency fees

Notes to Senior Officer's Remuneration table:

1. The Deputy Chief Executive was previously in the post of the Executive Director, Transformation, Partnerships and Prosperity

2. The new Director started September 2020.

3. New Post created April 2020.

4. The Executive Director of Adult Social Care post is now filled on by a permanent post. The amount shown in the salary column is the cost of this post including adjustments for agency.

5. This is a new post filled by the previous Executive Director Environment, Transport and Infrastructure.

6 This post (formerly Executive Director for Finance) was the Director of Finance for the Orbis partnership and therefore their salary was paid from the Orbis joint operating budget for 2019/20. This means it is ultimately paid 43% by Surrey County Council, 29% by East Sussex County Council and 28% by Brighton and Hove Council. The full salary is shown in the table for the purposes of this note. The post was fully funded by SCC in 2020/21

7 This post was previously titled Executive Director for Customers, Digital and Transformation.

8 This line includes the 2019/20 costs for the posts in the table. The total senior officer remuneration for 2019/20, including those who left in 2019/20 was £1,721,535.

Note 27: Officers' remuneration

2019/20				2020/21		
Non school numbers	Schools numbers	Total numbers	**Remuneration (£)**	**Non-schools numbers**	**Schools numbers**	**Total numbers**
194	**103**	**297**	50,000 - 54,999	**332**	**103**	**435**
94	**56**	**150**	55,000 - 59,999	**67**	**90**	**157**
99	**53**	**152**	60,000 - 64,999	**139**	**61**	**200**
51	**29**	**80**	65,000 - 69,999	**56**	**55**	**111**
21	**29**	**50**	70,000 - 74,999	**35**	**46**	**81**
19	**12**	**31**	75,000 - 79,999	**9**	**62**	**71**
13	**6**	**19**	80,000 - 84,999	**37**	**25**	**62**
8	**12**	**20**	85,000 - 89,999	**7**	**16**	**23**
5	**2**	**7**	90,000 - 94,999	**16**	**5**	**21**
3	**3**	**6**	95,000 - 99,999	**7**	**3**	**10**
3		**3**	100,000 - 104,999	**1**	**2**	**3**
1	**1**	**2**	105,000 - 109,999	**2**	**3**	**5**
7		**7**	110,000 - 114,999	**4**	**1**	**5**
2		**2**	115,000 - 119,999	**2**	**2**	**4**
1		**1**	120,000 – 124,999	**1**		**1**
2		**2**	125,000 - 129,999	**5**		**5**
1		**1**	130,000 - 134,999	**1**		**1**
			135,000 - 139,999			
			140,000 - 144,999	**1**	**1**	**2**
			145,000 – 149,999			
			150,000 – 154,999			
			155,000 – 159,999		**1**	**1**
			160,000 – 164,999			
			165,000 – 169,999			
			180,000 – 184,999			
			220,000 - 224,999			
			235,000 – 239,999			
524	**306**	**830**		**722**	**476**	**1198**

The table above includes 111 staff (107 in 2019/20) whose salary costs are paid from the Orbis joint operating budget and are therefore split 43% Surrey County Council, 29% East Sussex County Council and 28% Brighton and Hove City Council.

There are an additional 32 staff (32 in 2019/20) at East Sussex County Council and 27 staff (21 in 2019/20) at Brighton and Hove City Council that earned over £50,000 in 2020/21. They are not included in the above table, and were paid from the Orbis joint operating budget and are therefore also split 43% Surrey County Council, 29% East Sussex County Council and 28% Brighton and Hove City Council.

Note 28: Exit packages

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

2019/20					2020/21			
Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band	Exit package cost band (including special payments)	**Number of compulsory redundancies**	**Number of other departures agreed**	**Total number of exit packages by cost band**	**Total cost of exit packages in each band***
			£000	**Cost (£)**				**£000**
85	76	161	**1,151**	0-20,000	86	46	132	**593**
15	13	28	**818**	20,001-40,000	6	7	13	**365**
7	11	18	**896**	40,001-60,000				
4	2	6	**427**	60,001-80,000				
1	4	5	**433**	80,001-100,000	2		2	**181**
	3	3	**369**	100,001-150,000				
				150,001 – 200,000				
				200,001 – 250,000				
112	**109**	**221**	**4,094**	**Total cost included in bandings**	**94**	**53**	**147**	**1,139**
10	**17**	**27**	**763**	ADD: Amounts provided for in CIES not yet paid**		**38**	**38**	**500**
122	**126**	**248**	**4,857**	**Total cost included in CIES**	**94**	**91**	**185**	**1,639**

* Includes cost of pension fund strain where applicable

** Included in the total cost charged to the CIES are movements in the redundancy provision for redundancies that had been approved in 2020/21 but for which no payment had yet been made.

Note 29: External audit costs

The council has incurred the following costs in relation to the statutory auditors;

2019/20 £000		**2020/21** £000
	Fees payable to the external auditors with regards to external audit services carried out by the appointed auditor for the year	
187	Grant Thornton	192
4	Fees payable to the external auditors for the certification of grant claims and returns for the year	4
13	CFO Insights Subscription Fee	13
204	Total	**209**

Note 30: Dedicated Schools Grant

The Council's expenditure on schools in 2020/21 was funded primarily by grant monies provided by the Education and Skills Funding Agency (ESFA), the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the schools' budget, as defined in the School and Early Years Finance (England) (no.2) Regulations 2019. The school budget includes elements for a range of educational services provided on an authority-wide basis and for the individual school's budget, which is divided into a budget share for each maintained school, plus allocations for private nursery providers.

In total at the end of 2020/21 there is a cumulative £31.5m deficit on the DSG. This is the net amount from an overspend on the High Needs Block of £48.6m, less unspent balances on the other blocks of £17.1m. The High Needs Block overspend is matched by an ear marked reserve of the same value (see Note 9).

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Details of the deployment of DSG receivable for 2020/21 are shown on the table below:

Ref:	2019/20 £000s		Central £000s	ISB* £000s	2020/21 £000s
A	857,159	Final DSG before academy recoupment (ESFA gross allocation)			**907,154**
A1	(16,136)	Less deducted by ESFA for high needs place funding			**(18,237)**
B	(363,748)	Academy figure recouped			**(399,575)**
C	477,275	Total DSG after academy recoupment			**489,342**
D	(5,971)	Brought forward from prior year			**(31,518)**
D1	961	Early years adjustment in respect of prior year			**852**
D2	28	Other prior year adjustments			
	472,293				**458,676**
E	(35,061)	Less Carry forward agreed in advance			**(54,690)**
	507,354				**513,366**
F	507,354	Agreed initial budgeted distribution	166,228	347,138	**513,366**
G		In year adjustments	(18)	18	
H	507,354	**Final distribution**	166,210	347,156	**513,366**
I	(162,040)	Actual central expenditure	174,738		**174,738**
J	(341,771)	Actual Individual Schools Budget (ISB)		346,573	**346,573**
K		Local authority contribution			
	(503,811)	**Total funded by DSG**	174,738	346,573	**521,311**
L	(3,543)	DSG spent less budgeted distribution	8,528	(583)	**7,945**
M	(31,518)	**Total amount carried forward**			**(62,635)**
		Split of Deficit:			
	(48,633)	Overspend on high needs block			**(83,280)**
	17,115	Combined underspend on other blocks			**20,645**
	(31,518)				**(62,635)**

*Individual Schools Budget

NOTES

A Final DSG figure before deducting academy recoupment and funding for high needs places directly funded by the ESFA, and before the January 2021 early years block adjustment (which will be made in summer 2021) The early years block adjustment is estimated to be an increase in grant of £1.085m

A1 Figure deducted by ESFA from gross DSG in respect of funding for places in non- maintained special schools, special academies, SEN units and resources in mainstream academies for which funding is paid directly to the academy by the ESFA.

B Figure recouped from the authority in 2020/21 by the Dept for Education (DfE) for the budget shares of mainstream acacemies.

C Total DSG after final ESFA academy recoupment and place funding deductions

D Figure brought forward from 2019/20 as agreed with the Department

D1 Additional grant received from DfE in July 2020 because the number of 2, 3 and 4 year olds taking up the early years free entitlement in Jan 2020 was higher than in Jan 2019

D2 Prior year figure was a refund of place funding deducted by DfE in 2018/19 in respect of a college merger. There was no equivalent in 2020/21.

E (Surplus)/deficit which the authority decided after consultation with the Schools Forum to carry forward to 2021/22 (or later year) rather than allocating in 2020/21

F Initial budgeted distribution of DSG, adjusted for carry forward, as agreed with the Schools Forum

G In year adjustments comprise adjustments to budgets for permanently excluded pupils, and reductions in de-delegated budgets for central services as more schools convert to academies

H Budgeted distribution of DSG as at the end of the financial year.

I Actual amount of central expenditure items in 2020/21

J Amount of ISB actually distributed to schools (ISB is regarded for DSG purposes as spent by the authority once it is deployed to schools' budget shares). Includes final budget shares for private nursery providers

K Contribution from LA which has the effect of substituting for DSG in 2020/21 (none in 2020/21) Under the 2020/21 DSG conditions of grant, any overspends on the Schools Budget must be carried forward and met from DSG in future years, unless the Secretary of State allows all or part of the overspend to be funded from other sources. Authorities with a DSG deficit are expected to develop a recovery plan to repay those deficits over a number of years

L Variation against 2020/21 budgets:
For central expenditure, the difference between final budgeted distribution of DSG and actual expenditure , plus any local authority contribution
For ISB, the difference between amount allocated to individual providers and funding budgeted for that purpose

M Sum carried forward to 2020/21 (a negative figure= deficit) This is the total underspend against the final 2020/21 budget (L) plus the amount by which the initial budget exceeded available DSG funding (E). The overspend is made up of a cumulative overspend of £83.3m on the high needs block (provision for pupils with special educational needs and disabilities), offset by underspends of £20.7m on mainstream school and early years provision, expected to be reduced by £1.1m on final DSG adjustment in summer 2021.

Note 31: Grants and contributions

The council credited the following grants, contributions and donations to the Surplus on the Provision of Services in the Comprehensive Income & Expenditure Statement. The amounts credited to general grants and contributions are listed in the table below:

2019/20 £000		2020/21 £000
	General grants & contributions	
9,355	Private Finance Initiative Grant	**11,173**
11,148	Business Rate Grants	**10,437**
35,575	Public Health*	**38,006**
2,689	New Homes Bonus	**2,504**
8,214	Dedicated Schools Grant (non ring-fenced)	**2,085**
25,163	COVID-19 Emergency Funding	**42,015**
6,825	Social Care Support Grant	**8,739**
2,621	Other Revenue Grants	**13,603**
21,415	Education Funding Agency (Schools Basic Need & Schools Condition Allocation)	**21,467**
21,034	Highways Maintenance & Integrated Transport Grant	**36,314**
9,695	Capital developer contributions	**9,597**
5,268	Local Growth Deal	**16,877**
4,264	Capital contributions from schools	**925**
1,868	Other Capital grants & Contributions	**0**
165,134		**213,742**

*Public Health grant was previously shown as split between general and service grants, but from 19/20 it is now shown as a general grant.

Grants credited to services are analysed in the following table:

2019/20 £000		2020/21 £000
495,597	Dedicated Schools Grant	**497,590**
	Public Health Grant	
9,563	Young People Learning Agency	**8,981**
13,443	Pupil Premium	**12,867**
10,367	Teachers Pay and Pensions Grants	**16,530**
8,643	Universal Infant Free School Meals	**7,861**
35,169	Other revenue grants	**40,972**
572,782	**Total**	**584,800**

Note 32: Related parties

In accordance with IAS 24 the County Council is required to disclose material transactions with related parties – defined as bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council.

Central government has effective control over the general operations of the Council: it is responsible for providing the majority of its funding in the form of grants, and prescribes the terms of significant transactions with other parties (e.g. council tax precepts on district councils). Details of transaction with central government are contained within the accounts and accompanying notes in this statement of accounts.

Elected Members of the Council have direct control over the Council's financial and operating policies. As required by Section 81 of the Local Government Act 2000, Members' outside interests are recorded in a formal Register and the Code of Conduct operated by the Council requires members to disclose any related interests they have and to take no part in decisions on issues concerning those related interests.

The total of members' allowances paid in 2020/21 is shown in Note 25.

Senior officers are specified as: all employees whose annualised salary is £150,000 or more; the head of paid services and any (non secretarial/clerical) person for whom the head of paid services is directly responsible, the directors of children and adult social services, the chief education officer, chief officer of a fire brigade, the section 151 officer and any other individuals who are directly accountable to the Council (committee or subcommittee) and earn £50,000 or more.

Entities controlled or significantly influenced by the Council

The council wholly owns the following companies

- Hendeca Group Limited (formerly S.E. Business Services Ltd) - The company was set up for the provision of business services and was incorporated on 20 June 2013.
- Surrey Choices Ltd -. The company was set up for the delivery of day services and community support options for people with disabilities and older people. The company was incorporated on 10 March 2014 but did not begin trading until August 2014.
- Halsey Garton Property Ltd – is a property investment company. It is a holding company with three subsidiaries; Halsey Garton Property Investments Ltd, Halsey Garton Property Developments Ltd and Halsey Garton Residential Ltd. The latter two companies are not yet trading.

The Council also has significant influence and control over one trust fund, the Henrietta Parker Trust.

Group accounts for 2020/21 have been prepared and are presented in these accounts to show the combined financial performance and position of the county council, Hendeca Ltd, Surrey Choices Ltd, and Halsey Garton Property Ltd.

During 2020/21 the Council received £14.3m in interest payments from Halsey Garton Property Ltd (also £14.3m in 2019/20) and £0.6m in recharges from the company for services provided in year (£0.3m 2019/20). At 31 March 2021 the company owed SCC £234m in long term loans, as well as £0.09m in short term payables.

The Council purchased £12.4m of Adult Social Care services from Surrey Choices Ltd (also £12.4m in 2020/21). It received £2.8m in recharges from the company for services provided in year (£2.5m in 2019/20). At 31 March 2021 the company owed SCC £2.45m in long term loans, as well as £0.55m in short term payables.

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The Council received £0.5m in recharges from Hendeca for services provided in year (£0.4m in 2019/20). At 31 March 2021 the company owed SCC £0.2m in short term payables.

Other public bodies *(*subject to common control by central government)

The Council is subject to a number of pooled budget arrangements for the provision of health services and these are detailed in note 24.

Surrey Pension Fund

The fee payable by the Surrey Pension Fund to the county council for services provided in 2020/21 was £3.2m (£2.8m in 2019/20). This is split into the fee for providing pension administration services £2.6m (£2.4m in 2019/20) and £0.6m (£0.4m in 2019/20) for treasury management, accounting and managerial services.

During 2020/21 the Council paid employer pension contributions of £72.6m (£72.3m in 2019/20).

Orbis

Orbis is a partnership between Surrey County Council, East Sussex County Council and Brighton & Hove City Council that aims to provide seamless and resilient business services to the public sector, creating a compelling alternative to other providers. During 2020/21 Surrey, East Sussex, and Brighton & Hove operated a joint operating budget to fund business services at each council. (See note 24 for more information).

Note 33: Capital expenditure and capital financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI contracts), 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 in the following table:

2019/20 £000		2020/21 £000
	Capital Financing	
1,234,634	**Opening Capital Financing Requirement**	**1,252,227**
	Adjustment for prior-year PFI Refinancing	(12,000)
1,234,634	**Opening Capital Financing Requirement**	**1,240,227**
95,509	Property, Plant and Equipment	214,976
882	Investment Properties	1,122
1,167	Intangible Assets	2,103
29,485	Revenue Expenditure Funded from Capital Under Statute	24,751
	Long Term Debtor	9,194
	Sources of Finance	
(6,654)	Capital receipts	(22,050)
(81,076)	Government grants and other contributions	(86,795)
	Sums set aside from revenue	
(1,692)	Direct revenue contributions	(6,455)
	Application of capital receipts to prior year capital expenditure	
(19,030)	Minimum Revenue Provision	(31,542
(998)	PFI Deferred Income	(1,058)
1,252,227	**Closing Capital Financing Requirement**	**1,344,473**
	Explanation of movements in year	
53,645	Increase in underlying need to borrowing (unsupported by government financial assistance)	136,846
	Application of capital receipts	
(19,030)	Minimum Revenue Provision	(31,542)
(16,024)	Assets acquired under finance leases	0
(998)	PFI Deferred Income	(1,058)
17,593	**Increase / (decrease) in Capital Financing Requirement**	**104,246**

Note 34: Leases

Council as lessee

Operating leases:

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

31 March 2020 £000	Operating lease liabilities - land and buildings	31 March 2021 £000
2,644	Not later than one year	2,529
9,373	Later than one year but not later than five years	8,605
12,419	Later than five years	11,080
24,436		**22,215**

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

2019/20 £000	Amounts charged to the Comprehensive Income and Expenditure Statement during the year Operating leases - land and buildings	2020/21 £000
3,921	Minimum lease payments for the year	**3,306**

Council as lessor

Operating leases:

The council leases out property under operating leases for the following purposes:

- the provision of services such as community services, training centres and social care;
- economic development to provide suitable affordable accommodation for local businesses.

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

31 March 2020 £000	Lease liabilities - land and buildings:	31 March 2021 £000
8,532	Not later than one year	6,348
22,428	Later than one year but not later than five years	20,356
63,410	Later than five year	58,954
94,370		**85,658**

In addition, the Council leases a number of buses to bus operators as part of contracts with them to operate certain bus routes on the Council's behalf. A nominal amount is received in consideration for these buses, however, the Council receives a reduced charge from the operators to provide these services due to the provision of these vehicles.

Note 35: Other short-term and long-term liabilities

31 March 2020 Other liabilities Short term	Long-term	Total		31 March 2021 Other liabilities Short term	Long-term	Total
£000	£000	£000		**£000**	**£000**	**£000**
17,084	81,282	**98,366**	PFI finance lease liabilities (Note 36)	17,249	81,003	**98,252**
	10,362	**10,362**	Deferred income liabilities (Note 36)		9,303	**9,303**
	1,642,468	**1,642,468**	Pension liabilities (Note 38)		2,170,813	**2,170,813**
	1,970	**1,970**	Balances held for third parties		5,634	**5,634**
17,084	**1,736,082**	**1,753,166**		**17,249**	**2,266,753**	**2,284,002**

Note 36: Private finance initiatives and similar contracts

In 1999 the Council entered into a 25-year contract for waste disposal with Surrey Waste Management. The annual payments under the contract are in part dependent upon the tonnage of waste sent for disposal so that the contractor manages demand risk at higher tonnage levels whereas this risk falls on the Council if tonnages fall. A large proportion of the investment remains to be delivered. As a result the Council faces a contingent liability as described in note 39.

In 1998 the Council entered into a long-term contract with Anchor Trust for the purchase of residential and day care for the elderly in 17 homes previously operated by the Council. Whilst the Council is committed to purchasing the majority of beds in the homes the contractor is able to manage the remaining capacity for their own benefit. The council is committed to purchasing 71% of the beds available and day care facilities irrespective of whether these are used for the county's clients. Of the 17 homes nine return to council management after 21 years, which happened in 2020/21. There is therefore no further Unitary Charges for Anchor Care Trust. The remaining eight homes remain under the control of Anchor Trust for a further nine years although the county will no longer be obliged to purchase beds under the terms of the original contract.

The ability of Anchor to exploit some of the capacity of the homes has been recognised as a deferred income liability.

In 2002 the Council entered into a further long-term contract for the provision of residential and day care with Care UK. The contract has similar terms to that with Anchor Trust. The council is committed to purchasing 77% of the beds as well as day care facilities. All of the homes return to Surrey's management at the end of the 25-year contract at nil cost with the exception of one home where the Council has the option to terminate the lease under the project agreement at advantageous terms.

In 2010 the Council entered into a long term contract with Skanska John Laing for street lighting services. The contract, which is expected to last 25 years, will include the replacement or refurbishment of street lights in Surrey during the first five years, and continued maintenance of lights for the remainder of the contract term. At the end of the contract all equipment will return to the county's management.

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Property plant and equipment

The assets used to provide services in relation to these arrangements are recognised on the Balance Sheet along with their corresponding liability. Movements in their value over the year are included in the analysis of the movement on the Property, Plant and Equipment balance in Note 13.

Assets in relation to Anchor Homes, Care UK and the Waste contract are recognised as land and buildings and those assets in relation to the street lighting contract are recognised as infrastructure assets.

The table below summarises the movement:

2019/20				2020/21		
Land & Buildings £000	Infra-structure £000	Asset Under Construction £000		**Land & Buildings £000**	**Infra-structure £000**	**Asset Under Construction £000**
100,928	76,653	87,351	**Gross cost at 1 April**	100,928	76,653	29,039
		(16,024)	Additions			
		(42,288)	De-recognition			
100,928	76,653	29,039	**Gross Cost at 31 March**	100,928	76,653	29,039
(31,800)	(16,383)		**Accumulated Depreciation and Impairment at 1 April**	(33,813)	(18,300)	
(2,013)	(1,917)		Depreciation charge for the year	(1,979)	(1,917)	
			Impairment losses recognised in the Surplus/Deficit on the Provision of Services			
(33,813)	(18,300)		**Accumulated Depreciation and Impairment at 31 March**	(35,792)	(20,217)	
69,128	60,270	87,351	**Net book Value at 1 April**	67,115	58,353	29,039
67,115	58,353	29,039	**Net book Value at 31 March**	65,136	56,436	29,039

Payments made to the contractor are described as unitary payments. Unitary payments have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The value of any capital works are matched in the balance sheet by recognising a liability, either a finance lease liability or a deferred income liability where the contractor is able to exploit the assets for their own business.

Payments remaining to be made under the PFI contract at 31 March 2021 (excluding any estimation of inflation and availability/performance deductions) are as follows:

Payable in 2020/21 £000		Payable in 2021/22 £000	Payable within two to five years £000	Payable within six to ten years £000	Payable within 11 to 15 years £000	Payable within 16 to 20 years £000	**Total £000**
	Payment for Services						
53,346	- Waste	56,037	142,340				**198,377**
7,731	- Care UK	7,731	30,924	7,731			**46,386**
2,905	- Street Lighting	2,912	11,783	15,271	13,502		**43,468**
63,982		66,680	185,047	23,002	13,502		**288,231**
	Reimbursement of Capital Expenditure						
14,688	- Waste	14,696	44,995				**59,691**
114	- Care UK	121	560	162			**843**
2,282	- Street Lighting	2,432	11,505	19,695	21,443		**55,075**
17,084		17,249	57,060	19,857	21,443		**115,609**
	Interest						
5,787	- Waste	4,524	4,381				**8,905**
58	- Care UK	51	127	10			**188**
6,114	- Street Lighting	5,956	21,913	21,534	10,256		**59,659**
11,959		10,531	26,421	21,544	10,256		**68,752**
93,025	**Total**	**94,460**	**268,528**	**64,403**	**45,201**		**472,592**

The movement on PFI liabilities for the year is set out in the table that follows:

2019/20 Finance Lease Liability £000	2019/20 Deferred Income Liability £000		**2020/21 Finance Lease Liability £000**	**2020/21 Deferred Income Liability £000**
(132,764)	(11,360)	**Balance outstanding at 1 April**	(98,366)	(10,362)
18,374		Payments during the year	114	
16,024		Capital expenditure incurred in the year		
	998	Amortisation of deferred income		1,059
(98,366)	**(10,362)**	**Balance outstanding at 31 March**	**(98,252)**	**(9,303)**

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The Street lighting contingent rent profile is analysed over the remaining life of the project below:

31 March 2020 £000		**31 March 2021 £000**
63	not later than one year	62
242	later than one year but not later than 5 years	238
408	later than 5 years	350
713		**650**

Note 37: Pension schemes accounted for as defined contribution schemes

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is a multi-employer defined benefit scheme. The scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. Valuations of the notional fund are undertaken every 4 years. The scheme has in excess of 3,700 employers and consequently the Council is not able to identify its share of underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of this statement of accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2020/21, the Council paid £47.8m / 23.68%. The 2019/20 equivalents were a payment of £43.3m and percentages of 16.48% to the end of August rising to 23.68% from September to March. The council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and the Council is not liable to the scheme for any other entities' obligations under the scheme.

On 1 April 2014 the Council inherited responsibility for certain aspect of public health work from the NHS. As part of the transition some staff moved from the NHS to the Council under Transfer of Undertakings (Protection of Employment) regulations (TUPE) arrangements and therefore these members of staff remain members of the NHS pension scheme. New recruits to the public heath directorate and members of staff that accept new roles are employed on standard Surrey County Council terms and conditions and therefore become members of the LGPS scheme.

The NHS pension scheme is an unfunded, defined benefit scheme that covers NHS employers, GP practices and other bodies allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the Council of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period. The Public Health Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to NHS pensions in the year. In 2020/21 the Council's liability to pay NHS pensions is being finalised but stands at 16.88% of pensionable pay (2019/20, £533k, 16.88%) The total contribution rate for 2020/21 is 20.68%, the remaining 3.8% not paid by the Council is funded by the Department of Health and Social Care.

Note 38: Defined benefit pension schemes

Participation in pension schemes

The council is obliged to make contributions towards the cost of post-employment benefits under its terms and conditions of employment. These benefits will not become payable until employees retire but the Council needs to account for the commitment at the time that employees earn their future entitlement.

Surrey County Council contributes to two defined benefit schemes:

- The Local Government Pension Scheme (LGPS), administered locally by Surrey County Council, is a funded defined benefit scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets in the long term.
- The Firefighters' Pension Scheme is an unfunded defined benefit scheme meaning that because no investment assets have been built up to meet these pension liabilities cash, net of contributions from active members and government grants, has to be generated to meet pension payments as they fall due. Deficits on the Firefighters' Pension Scheme are covered by a government grant received each year from the Ministry of Housing, Communities and Local Government.

The scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Pension Fund Committee of Surrey County Council. Policy is determined in accordance with the Pension Fund Regulations. The investment managers of the Fund are sourced by Border to Coast Pensions Partnership (the jointly owned asset pool provider of Surrey County Council) on the approval of the Committee, or appointed by the Committee directly.

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

Transactions relating to post-employment benefits

The cost of retirement benefits is recognised in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. The discount rate is published a year ahead and used by the actuary to calculate the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

The charge required to be made against council tax is based on the cash payable in the year so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

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	Local Government Pension Scheme		Firefighters' Pension Scheme	
	2019/20	**2020/21**	2019/20	**2020/21**
	£000	**£000**	£000	**£000**
Comprehensive Income & Expenditure Statement				
Cost of Services:				
- current service cost	124,340	**103,411**	9,600	**7,000**
- past service cost	2,927	**13**	100	**0**
- (gain)/loss on settlements	(1,654)	**(6,187)**		
Financing & Investment Income & Expenditure				
- net interest on the net defined benefit liability	29,363	**25,602**	14,400	**12,500**
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	154,976	**122,839**	24,100	**19,500**
Other Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement				
Remeasurement of the net defined benefit liability comprising:				
- return on plan assets (excluding the amount included in the net interest expense)	(258,153)	(477,740)		
- actuarial gains and losses arising on changes in demographic assumptions	72,532	47,789	18,600	**7,000**
- actuarial gains and losses arising on changes in financial assumptions	247,548	779,360	52,100	**132,900**
- other experience	121,689	(31,514)	(4,400)	**5,900**
Total remeasurement of the net defined benefit liability	183,616	**317,895**	66,300	**145,800**
Total Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement	338,592	**440,734**	90,400	**165,300**
Movement in Reserves Statement				
- reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(154,976)	**(127,532)**	(24,100)	**(19,500)**
Actual amount charged against the General Fund Balance for pensions in the year:				
- employers' contributions to the scheme/ retirement benefits paid direct to pensioners	66,875	**67,182**	18,100	**15,200**

Pension assets and liabilities recognised in the balance sheet

The amount included in the balance sheet arising from the authority's obligation in respect of its defined benefit plans is as follows:

	Local Government Pension Scheme		Firefighters' Pension Scheme	
	2019/20 £000	**2020/21 £000**	2019/20 £000	**2020/21 £000**
Present value of the defined benefit obligation	(2,841,800)	**(3,741,787)**	(545,500)	**(695,600)**
Fair value of plan assets	1,744,832	**2,266,574**		
Net liability arising from defined benefit obligation	(1,096,968)	**(1,475,213)**	(545,500)	**(695,600)**

Assets and liabilities in relation to post-employment benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	Funded Liabilities Local Government Pension Scheme		Unfunded Liabilities Firefighters' pension scheme	
	2019/20 £000	**2020/21 £000**	2019/20 £000	**2020/21 £000**
Opening Balance at 1 April	(3,148,375)	**(2,841,800)**	(605,800)	**(545,500)**
Current service cost	(124,340)	**(103,411)**	(9,600)	**(7,000)**
Interest cost	(76,386)	**(65,390)**	(14,400)	**(12,500)**
Contributions by scheme participants	(17,895)	**(19,654)**		
Remeasurements:				
- Actuarial gains and losses arising on changes in demographic assumptions	72,532	**(47,789)**	18,600	**(7,000)**
- Actuarial gains and losses arising on changes in financial assumptions	247,548	**(779,360)**	52,100	**(132,900)**
- Other experience	121,689	**31514**	(4,400)	**(5,900)**
Pensions and lump sum expenditure			18,100	**15,200**
Benefits paid	83,148	**77,897**		
Past service costs (including curtailments)	(2,927)	**(13)**	(100)	
Business Combinations and Disposals	0	**(9,599)**		
Settlements	3,206	**15,818**		
Closing balance at 31 March	(2,841,800)	**(3,741,787)**	(545,500)	**(695,600)**

Curtailments include pension fund strain contributions to compensate the pension fund for the loss of contributions from staff that retire early and added years costs for staff that have increased years of service.

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Reconciliation of the movements in the fair value of the scheme (plan) assets:

	Local Government Pension Scheme		Firefighters' pension scheme	
	2019/20	**2020/21**	2019/20	**2020/21**
	£000	**£000**	£000	**£000**
Opening fair value of scheme assets at 1 April	1,955,892	**1,744,832**		
Interest income	47,023	**39,788**		
Remeasurement:				
Return on assets excluding amounts included in net interest	(258,153)	**477,740**		
Employer Contributions	66,875	**62,255**		
Employer contributions adjustment*				
Contributions by scheme participants	17,895	**19,654**		
Benefits paid	(83,148)	**(75,700)**		
Business combinations and disposals	0	**7,636**		
Settlements	(1,552)	**(9,631)**		
Closing fair value of scheme assets at 31 March	1,744,832	**2,266,574**		

* difference between actuary estimate of employer contributions and actual contributions paid

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total net liability of £2,171m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. The statutory arrangements for funding the deficit, however, mean that the financial position of the Council remains stable:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary;
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid;
- The council is making lump sum payments to the pension fund in addition to the contributions related to current employees. This has the aim of eliminating the Council's share of the pension fund deficit by 2033.

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 the Firefighters' Pension Scheme have been assessed by the Council's actuaries, Hymans Robertson using the latest full valuation of the scheme as at 31 March 2021.

The value placed on the firefighters' IAS19 liability in respect of future injury benefits is subject to the same volatility as the liabilities in respect of pension benefits. The liability is calculated as a percentage of the pension liability in respect to active members. As the active liability changes, the value placed on the liability in respect of future injury benefits will change also. For example, a 0.5% decrease in the real discount rate will increase the value placed on the contingent injury liability by around 10%

depending on the duration of the active members' pension liabilities. The liability will also be subject to change as life expectancy changes.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Firefighters' Pension Scheme	
	2019/20	**2020/21**	2019/20	**2020/21**
Mortality assumptions:				
- longevity at 65 for current pensioners (60 for firefighters):				
- Men	22.1 years	**22.3 years**	26.4 years	**26.6 years**
- Women	24.3 years	**24.7 years**	28.5 years	**28.9 years**
- longevity at 65 for future pensioners (60 for firefighters):				
22.9 years	24.1 years	**23.4 years**	27.5 years	**27.9 years**
25.7 years	26.4 years	**26.4 years**	29.7 years	**30.3 years**
Rate of inflation	1.9%	**2.9%**	2.8%	**3.3%**
Rate of increase in salaries	2.8%	**3.8%**	2.8%	**3.3%**
Rate of increase in pensions	1.9%	**2.9%**	1.9%	**2.9%**
Rate for discounting scheme liabilities	2.3%	**2.0%**	2.3%	**2.0%**

The Firefighters' Pension Scheme does not hold assets to cover its liabilities which are met by the government for Ministry of Housing, Communities and Local Government.

Sensitivity analysis

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 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 did not change from those used in the previous period.

	Local Government Pension Scheme		Firefighters' Pension Scheme	
	Approximate % increase to employer liability	Approximate monetary amount	Approximate % increase to employer liability	Approximate monetary amount
		£000		£000
0.5% decrease in real discount rate	10%	382,512	10%	68,520
1 year increase in member life expectancy*	5%	138,665	3%	20,686
0.5% increase in the salary increase rate	1%	27,733	1%	5,928
0.5% increase in the pension increase rate	9%	347,421	8%	58,446

*the cost of a one year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominantly apply at younger or older ages).

5 **Investment assets**

The Local Government Pension Scheme assets consist of the following investments:

31 March 2020 Quoted prices in active markets £000			31 March 2021 Quoted prices in active markets £000	
		Quoted prices in active markets		
		Equity securities		
49,788	3%	Consumer	**49,096**	**2%**
37,162	2%	Manufacturing	**24,725**	**1%**
13,506	1%	Energy & utilities	**4,774**	**0%**
29,384	2%	Financial institutions	**29,536**	**1%**
30,050	2%	Health & care	**20,771**	**1%**
56,952	3%	Information technology	**68,610**	**3%**
991	0%	Other	0	
217,833			**197,512**	
		Debt securities		
98,657	6%	UK government		
		Other		
98,657			**0**	
		Real estate		
87,330	5%	UK property	**32,443**	**2%**
38,340	2%	Overseas property	**0**	**2%**
125,670			**32,442**	
		Investment funds & unit trusts		
918,116	52%	Equities	**1,341,960**	**59%**
203,085	12%	Bonds	**285,853**	**13%**
		Other		
1,121,201			**1,627,813**	
		Derivatives		
		Interest rate		
(17,537)	-1%	Foreign exchange	**6,920**	**0%**
(17,537)			**6,920**	
59,415	3%	Cash & cash equivalents	**51,589**	**2%**
1,605,239	**92%**		**1,916,276**	
		Sub-total		
		Quoted prices in non-active markets		
139,593	8%	Private Equity	**155,482**	**7%**
		Debt Securities: UK government	**105,051**	**5%**
		Real Estate: UK	**49,731**	**2%**
		Real Estate: Overseas	**40,034**	**2%**
139,593			**350,298**	
1,744,832	**100%**	**Total**	**2,266,574**	**100%**

Asset and liability matching strategy

The LGPS assets are administered by Surrey County Council though the Surrey Pension Fund. The fund does not have an explicit asset and liability matching strategy as the current funding level necessitates an investment strategy that is expected to provide long term investment returns in excess of the anticipated rise in liabilities.

Liabilities are considered when determining the overall investment strategy and the fund holds assets that are highly correlated with the movement in liabilities, including fixed rate and index-linked gilts, as well as absolute return investments that seek to generate positive returns regardless of market conditions. Investment risk is monitored regularly both in absolute terms and relative to the Fund's liabilities, with regular scrutiny by the Surrey Pension Fund Committee and its external advisors.

Impact on the Council's cash flows

The council has a stabilisation strategy in place to keep employer contributions at a consistent rate as possible. The council has agreed a strategy with the fund's actuary to achieve 100% funding over the next 15-20 years. The council's employer contribution rate is set at a level to help achieve this objective. The contribution level is periodically reviewed as part of the triennial valuation to ensure it is appropriate. The most recent review was as at the 31 March 2020 and the next review will take place during 2021/22 with a valuation date of 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 and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The council expects to make employer contributions of £53.67m to the LGPS in 2021/22.

Note 39: Contingent assets and liabilities

Possible assets / liabilities, which may arise in the future if certain events, not wholly within the control of the authority, take place. Contingent assets/liabilities are not recognised in the accounts but are disclosed by way of a note if it is probable that an inflow/outflow of economic benefits will occur.

Contingent Liabilities

The council embarked upon a PFI for waste disposal in 1999. By the end of 2020/21 £137.3m has been received in PFI credits in relation to the waste contract. In return, the Council has an obligation to invest in waste disposal infrastructure. A proportion of this obligation is still to be delivered. If these obligations are not met then a liability may arise to repay some or the entire PFI grant received to date.

In 2001, the county council arranged for consultants to undertake a desk review of the potential liabilities at a number of closed landfill sites where some responsibility for the impact of the waste remained with the Council. During 2013/14 a review of this assessment was carried out to ascertain how investigation strategies have developed since the initial report was issued and update potential remedial works and possible costs should a site be found to be contaminated. These liabilities would occur if the local District and Borough Councils, who are the enforcing authorities, investigate the sites and oblige the Council to take action under the provisions of Part IIA of the Environment Protection Act 1990. The review concluded that the likelihood of remedial work being required in relation to one

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closed landfill site was high and the estimated cost of these works (£700,000) has been included as a provision. The potential costs identified in relation to the other sites range from between £3.6m to £4.3m. These costs are considered to be less likely to be incurred and to date very few investigations have taken place. The council would seek to share any eventual liabilities with those in ownership of the sites when they were landfilled.

Contingent Asset

Royal Mail: The council forms part of a class action against Royal Mail, relating to the charging of VAT on services for which it has not been able to recover as normal. The case has been ongoing for over 4 years and continues. The outcome and any potential financial settlement are uncertain. The council has no liability in relation to any potential costs if the claim is lost, as it has entered into an insurance arrangement with a large number of other claimants.

Note 40: Cash flow statement- adjustments for non-cash movements

2019/20 £000		2020/21 £000
(181,070)	Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	(147,032)
86,969	Employer's pensions contributions and direct payments to pensioners payable in the year	82,382
998	Deferred Income in respect of PFI schemes	1,058
(75,069)	Charges for depreciation & impairment of non-current assets	(81,627)
(1,080)	Amortisation of intangible assets	0
(4,229)	Revaluation (losses)/gains on property, plant & equipment	520
(4,007)	Change in fair value of investment properties	(11,009)
30	IFRS9 Capital Impairments	0
(27,944)	Disposals of academies	(42,656)
25,324	Contributions to provisions	(1,978)
(41,939)	Net gain/(loss) on sale disposal of property, plant & equipment	13,262
1,050	Net gain/(loss) on sale disposal of investment property	0
1,536	Net gain/(loss) on disposal of financial assets	0
8,484	Movement in creditors	(26,821)
252	Movement in third party balances	(3,664)
131	Movement in inventories	140
(71,378)	Movement in debtors	14,987
1,139	Movement in accumulated absences	(5,805)
77	Donated asset adjustment	10,730
(280,726)		**(197,513)**

Note 41: Cash flow statement - purchase of property, plant & equipment

2019/20		**2020/21**
£000		**£000**
111,533	Enhancement/Purchase of Property, Plant & Equipment	**214,976**
882	Enhancement/Purchase of Investment Property	**1,122**
1,167	Enhancement/Purchase of Intangible Assets	**2,103**
29,485	Revenue Expenditure Funded from Capital Under Statute	**24,751**
143,067		**242,952**

Note 41a: Reconciliation of liabilities arising from Financing Activities

	Balance at 1 April 2020	Financing Cash Flows	Non Cash Changes	Balance at 31 March 2021
Long Term Borrowings	(442,263)	(1,717)		(443,980)
Short Term Borrowings	(239,698)	(45,487)	0	(285,185)
PFI Liabilities	(98,366)	114	0	(98,252)
Net cash outflow from financing activities	**(780,327)**	**(47,090)**	**0**	**(827,417)**

	Balance at 1 April 2019	**Financing Cash Flows**	**Non Cash Changes**	**Balance at 31 March 2020**
Long Term Borrowings	(397,786)	(44,477)		(442,263)
Short Term Borrowings	(279,026)	39,328	16,024	(239,698)
PFI Liabilities	(132,764)	18,374	16,024	(98,366)
Net cash outflow from financing activities	**(809,576)**	**13,225**	**16,024**	**(780,327)**

Group Accounts

In order to provide a full picture of the Council's economic activities and financial position, the accounting statements of the Council and its wholly owned Local Authority Trading Companies, Hendeca Ltd (formerly SE Business Services Ltd), Surrey Choices Ltd and Halsey Garton Property Ltd have been consolidated.

Halsey Garton Property Ltd has three subsidiaries, of which only one was trading as at 31 March 2021. The economic activities and financial position of the Halsey Garton Property Group is included within these group accounts.

The group accounts are presented in addition to the Council's 'single entity' financial statements and comprise:

- Group Comprehensive Income and Expenditure Statement;
- Group Movement in Reserves Statement;
- Group Balance Sheet; and
- Group Cash Flow Statement.

These statements (*the purposes of which are explained in the narrative report*), together with those explanatory notes that are considered necessary in addition to those accompanying the Council's 'single entity' accounts, and accounting policies, are set out in the following pages.

Group Comprehensive Income & Expenditure Statement

Restated year ended 31 March 2020 Gross Expenditure £000	Income £000	Net Expenditure £000	Gross Expenditure	Year ended 31 March 2021 Gross Expenditure £000	Income £000	Net Expenditure £000
526,871	(252,612)	274,259	Children, Families, Learning & Culture	592,678	(287,285)	305,393
376,005	(361,295)	14,710	Delegated Schools	293,951	(297,096)	(3,145)
503,217	(131,577)	371,640	Adult Social Care	571,231	(192,795)	378,436
30,795	(809)	29,986	Public Health	41,111	(8,797)	32,314
46,908	(7,209)	39,699	Community Protection	46,237	(6,807)	39,430
209,041	(21,553)	187,488	Transport & Environment	204,727	(24,848)	179,879
146,907	(17,937)	128,970	Resources	137,934	(25,944)	111,990
45,270	(14,825)	30,445	Transformation, Partnership & Prosperity	44,503	(10,133)	34,370
1,474	(1,123)	351	Central Income & Expenditure	20,787	(33,962)	(13,175)
1,886,488	**(808,940)**	**1,077,548**	**Total services' revenue expenditure**	**1,953,317**	**(887,667)**	**1,065,492**
21,809	(23,526)	**(1,717)**	Other Operating Income & Expenditure	18,854	(28,364)	**(9,510)**
191,257	(75,901)	**115,356**	Financing & Investment Income & Expenditure	186,048	(67,080)	**118,968**
	(821,853)	**(821,853)**	Local Taxation		(886,224)	**(886,224)**
	(165,134)	**(165,134)**	General grants & contributions		(213,742)	**(213,742)**
2,099,554	**(1,895,354)**	**204,200**	**Deficit on Provision of Services**	**2,158,061**	**(2,083,077)**	**74,984**
		1,137	Tax expense of subsidiaries			**699**
		205,337	**Group deficit**			**75,683**
		(48,285)	(Surplus) or deficit on revaluation of non-current assets			**(63,006)**
		(249,703)	Remeasurement of the net defined benefit liability			**450,477**
		(297,988)	**Other Comprehensive Income & Expenditure**			**387,471**
		(92,651)	**Total Comprehensive Income & Expenditure**			**463,154**

Group Movement in Reserves Statement

2020/21	General Fund and Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants & Contributions Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000	SCC Share of Subsidiary Reserves £000	Total Group Reserves £000
Balance at 31 March 2020	**(267,356)**	**(44,970)**	**(93,078)**	**(405,404)**	**682,939**	**277,535**	**62,340**	**339,875**
Adjustment to Opening Balance	(48,632)			(48,632)	48,632			
Revised Opening Balance	**(315,990)**	**(44,970)**	**(93,078)**	**(454,038)**	**731,571**	**277,535**	**62,340**	**339,873**
(Surplus) or deficit on provision of services	41,901			41,901		41,901	33,783	75,684
Other comprehensive income & expenditure					400,689	400,689	(13,218)	387,471
Total comprehensive income & expenditure	**41,901**			**41,901**	**400,689**	**442,590**	**20,565**	**463,155**
Adjustments between accounting basis & funding basis under regulations	(119,940)	(19,493)	(1,883)	(141,316)	141,316			
Increase/decrease in year	**(78,039)**	**(19,493)**	**(1,883)**	**(99,415)**	**542,004**	**442,589**	**20,565**	**463,155**
Balance at 31 March 2021	**(394,029)**	**(64,463)**	**(94,961)**	**(553,453)**	**1,273,575**	**720,122**	**82,905**	**803,028**

2019/20	General Fund and Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants & Contributions Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000	SCC Share of Subsidiary Reserves £000	Total Group Reserves £000
Balance at 31 March 2019	**(212,973)**	**(46,858)**	**(110,610)**	**(370,441)**	**772,933**	**402,492**	**30,034**	**432,526**
(Surplus) or deficit on provision of services	173,244			173,244		173,244	32,093	205,337
Other comprehensive income & expenditure					(298,201)	(298,201)	213	(297,988)
Total comprehensive income & expenditure	**173,244**			**173,244**	**(298,201)**	**(124,957)**	**32,306**	**(92,651)**
Adjustments between accounting basis & funding basis under regulations	(227,627)	1,888	17,532	(208,207)	208,207			
Increase/decrease in year	**(54,383)**	**1,888**	**17,532**	**(34,963)**	**(89,994)**	**(124,957)**	**32,306**	**(92,651)**
Balance at 31 March 2020	**(267,356)**	**(44,970)**	**(93,078)**	**(405,404)**	**682,939**	**277,535**	**62,340**	**339,875**

Group Balance Sheet

As at 31.03.2020 £000		Note:	As at 31.03.2021 £000
1,729,569	Property, plant & equipment		1,865,351
1,024	Heritage assets		1,024
401,739	Investment property	5	379,785
7,278	Intangible assets		7,957
263	Long term investments	6	37
301	Long term debtors	6	1,217
2,140,174	**Long term assets**		**2,255,371**
	Short Term:		
	Intangible assets		
2,515	Assets held for sale		
1,296	Inventories		1,441
138,348	Short term debtors		155,804
60,721	Cash & cash equivalents		81,611
202,880	**Current Assets**		**238,856**
	Short Term:		
(239,698)	Borrowing		(285,153)
(222,937)	Creditors		(230,214)
(735)	Provisions		(3,949)
(176)	Revenue grants receipts in advance		(23,947)
(34)	Capital grants receipts in advance		(34)
(17,084)	Other current liabilities		(17,249)
(480,664)	**Current liabilities**		**(560,546)**
(20,777)	Provisions		(19,540)
(442,266)	Long term borrowing		(446,588)
(1,739,222)	Other long term liabilities		(2,270,581)
(2,202,265)	**Long term liabilities**		**(2,736,709)**
(339,875)	**Net assets/liabilities(-)**		**(803,028)**
(343,064)	Usable reserves		(470,547)
682,939	Unusable reserves		1,273,575
339,875	**Total Reserves**		**803,028**

Group Cash Flow Statement

2019/20 £000		**2020/21 £000**
205,337	Net surplus (-) / deficit on the provision of services	40,865
(313,426)	Adjustments to net surplus / deficit on the provision of services for non-cash movements	(192,684)
(29,485)	Adjustments for items included in the net surplus / deficit on the provision of services that are investing and financing activities	(24,751)
(137,574)	**Net cash inflows from operating activities**	**(176,570)**
143,154	Purchase of property, plant & equipment, and investment property	243,296
(14,704)	Proceeds from the sale of property, plant & equipment	(48,405)
(16)	Payments for short-term and long-term investments	7,916
	Receipts of short-term and long-term investments	
(3,326)	Other receipts & expenditure from investing activities	32
125,108	**Net cash outflows from investing activities**	**202,839**
18,374	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	114
954,961	Payments for short-term and long-term borrowing	930,159
(960,110)	Receipts of short-term and long-term borrowing	(977,361)
13,225	**Net cash inflows from financing activities**	**(47,088)**
759	**Net increase (-) / decrease in cash & cash equivalents**	(20,818)
(61,480)	Cash & cash equivalents at the beginning of the reporting period	(60,793)
(60,721)	Cash & cash equivalents at the end of the reporting period	**(81,611)**

The cash flows from operating activities in 2020/21 include interest received of £15.3m (2019/20, £13.0m) and interest paid of £32.7m (2019/20, £31.7 m).

Note 1: General

The Group Accounts should be read in conjunction with the Surrey County Council single entity accounts. Only notes to the accounts that are materially different from the single entity accounts are produced for the group accounts.

Note 2: Group boundary

The council has an interest in a number of entities, the most significant of which are the wholly owned Local Authority trading companies Hendeca (formerly SE Business Services Ltd), Surrey Choices Ltd and Halsey Garton Property Ltd which are consolidated into these accounts. The paragraphs at the end of this section provide information on the nature of risks associated with each company.

- Hendeca Group Ltd – Provides business services such as IT data storage and Fire support services.
- Surrey Choices Ltd - The company delivers day services and community support options for people with disabilities and older people.
- Halsey Garton Property Ltd – is a property investment company. It acts as a holding company for three subsidiaries; Halsey Garton Property Investments Ltd, Halsey Garton Property Developments Ltd and Halsey Garton Residential Ltd. At 31/03/2021 only the holding company and Halsey Garton Property Investments Ltd were trading and therefore only the economic activity of these companies has been incorporated into the group accounts.

None of the other entities in which the Council has an interest are considered material enough, either when considered individually or in aggregate, to merit consolidation into the Council's Group Accounts.

The overall impact of the companies on the financial performance, financial position and cash flows of the group is relatively low. However, there are some significant differences between classifications of assets in the balance sheet and in the headings on the cash flow statement. These differences result from the significant capital investment the Council has made in investment property through its property investment company Halsey Garton Property Ltd. These investments have been funded by the Council providing long-terms loans and equity investments to Halsey Garton Property Ltd. When the group accounts are consolidated these balances are removed and the additional investment properties purchased by Halsey Garton Property Ltd are added into the group accounts as investment properties on the balance sheet.

The main risk for the county council associated with the investment in each subsidiary is as follows:

Hendeca Group Ltd – The council has provided parental guarantees to two IT clients that should the company not be able to fulfil the terms of the contract the Council will be obliged to provide the required service.

Surrey Choices Ltd – The company provides some services that are part of the Council's statutory duties for Adult Social Care, if the company was not be able to fulfil these duties the Council would be required to.

Halsey Garton Property Ltd – As a property investment company, the company is exposed to risk in market movements in terms of the capital value of properties and in the level of income that can be generated through rent charges.

Note 3: Accounting policies

In preparing the Group Accounts the Council has aligned the accounting policies of the company with those of the Council and made consolidation adjustments where necessary; has consolidated the financial statements of the company with those of the Council on a line by line basis; and has eliminated in full balances, transactions, income and expenses between the Council and its subsidiaries.

Note 4: Material Items of income & expenditure

During 2020/21 there was no material items of Income and Expenditure other than those disclosed in Surrey County Council's accounts.

Note 5: Investment properties

The group has a portfolio of properties purchased for future service needs, for the purposes of economic development or as part of a long-term capital strategy to generate investment returns. These properties are currently being leased to private tenants, producing rental income. As the properties were solely being used to generate income at the 31 March 2021, under the code of practice they are classed as investment properties.

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

2019/20 £000		**2020/21 £000**
25,142	Rental income from investment property	**26,040**
(1,599)	Direct operating expenses arising from investment property	**2,088**
23,543	**Net gain**	**23,952**
1,050	Gain on sale of investment property	
(38,057)	Net (loss)/gain on fair value adjustments	**(45,059)**
(13,464)	**Income & expenditure in relation to investment properties**	**(21,107)**

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

2019/20 £000		**2020/21 £000**	Office £000	Indust-rial £000	Retail £000	Other £000	Fair Value Hierarchy
440,225	Balance 01/04/2020	**401,739**	162,212	57,800	152,400	29,327	Level 2
882	Purchases	**882**	882				
189	Reclassifications	**11,103**	5,706			5,397	
(1,500)	Disposal	**(1,500)**	(1,500)				
(38,057)	Net loss from fair value adjustments	**(40,591)**	(5,526)	1,450	(29,775)	(6,740)	
401,739	**Balance at 31/03/21**	**371,633**	**161,774**	**59,250**	**122,625**	**27,984**	Level 2

The fair value of the Council's investment property is measured annually at each reporting date. All valuations are carried out externally, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The valuation methodology used to determine fair value incorporates some estimation techniques which mean the valuations are categorised as being level two in the fair value hierarchy (see Note 5 of the Surrey accounts for more information).

Note 6: Financial instruments

Categories of Financial Instruments

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

Financial Assets	**1 April 2020**	**31 March 2021**
Fair value through profit or loss		
Long Term Investments		
Cash	**32,200**	**59,400**
Total	**32,200**	**59,400**
	£000	**£000**
Amortised Cost		
Long Term Investments	263	262
Long Term Debtors	301	7,242
Short Term Debtors	94,585	52,287
Cash	28,521	22,211
Total	**123,670**	**82,002**
Total Financial Assets	**155,870**	**141,402**
Non-Financial Assets	**2,187,184**	**2,359,073**
Total	**2,343,054**	**2,500,475**

Note 7: External audit costs

The group has incurred the following costs in relation to the statutory auditors;

2019/20		**2020/21**
£000		£000
	Fees payable to the external auditors with regards to external audit services carried out by the appointed auditor for the year	
140	Grant Thornton	192
47	UHY Hacker Young	62
4	Fees payable to the external auditors for the certification of grant claims and returns for the year	4
13	CFO Insights Subscription Fee	13
204	Total	**271**

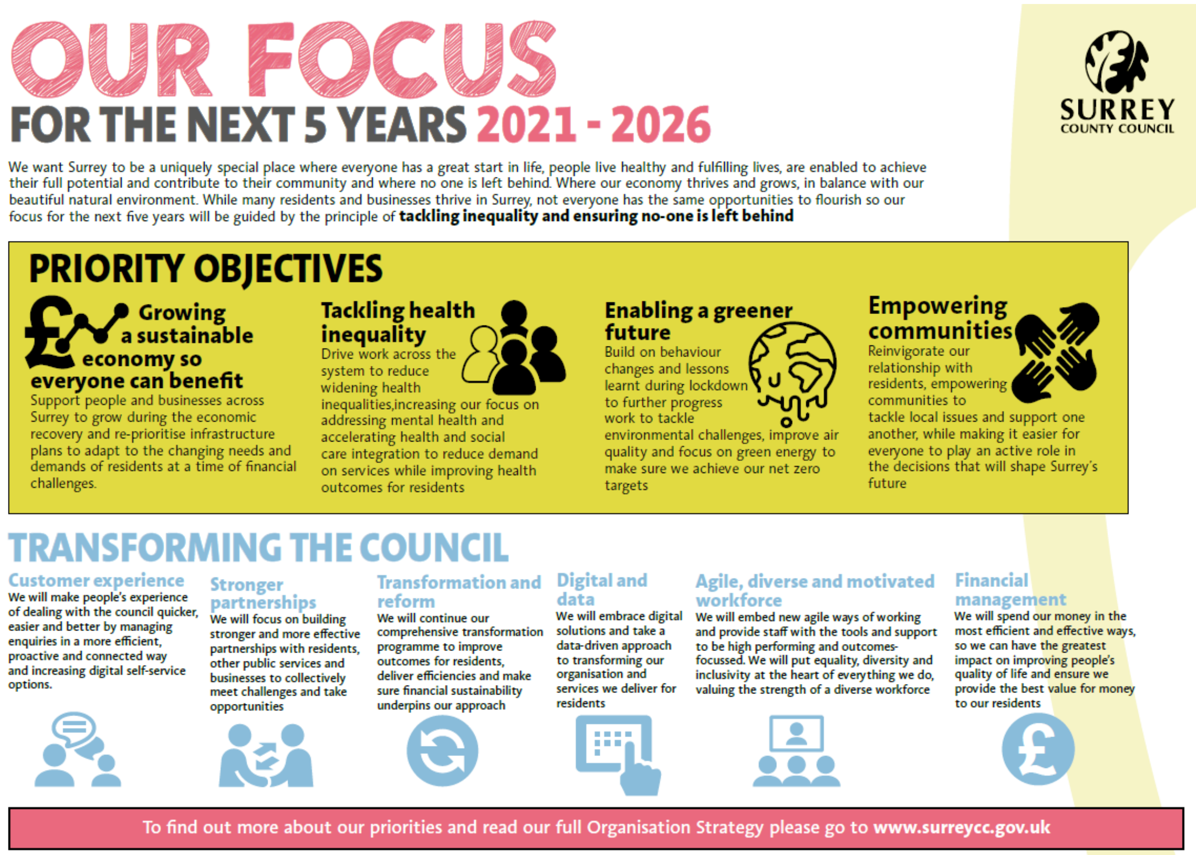
5

DRAFT ANNUAL GOVERNANCE STATEMENT 2020/21

Surrey County Council has a responsibility 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. This Annual Governance Statement describes the key activities during 2020/21, progress against key issues raised in last year's governance review, summarises the main elements of the Council's governance framework and identifies key areas of focus for 2021/22.

2020/21 context

During 2020-21, the Council faced unprecedented challenges brought about by the Covid-19 pandemic, which have fundamentally changed the context in which the Council operates. In response to the impact of Covid-19, the Council conducted an in-year reset of its budget, strategic frame, and delivery plans to recognise that while the 2030 Vision remains the right destination, how we get there needs to change. Through the Council's response to Covid-19 several organisational priorities have come into sharper focus and these priority objectives form a new focus for the Council and a basis of a refreshed Organisation Strategy.



Despite the challenges, the Council adapted quickly during the year to continue to deliver the majority of services for residents, whilst also working as part of Surrey's Local Resilience Forum (LRF). The work of the previous two years put the Council on a strong foundation and has enabled us to continue providing services while making efficiencies.

The strategic reset has also enabled us to enhance or adapt our approaches based on the learning from our response to Covid-19, building on the increased community spirit that has emerged to develop new ways of working with communities and longer term, consider how public services can enable better outcomes for the people and place of Surrey. The council will continue to play a key role in managing the emerging challenges, being prepared to amend the strategic direction where necessary and maintain a crucial role in the continued response and recovery.

Covid 19 – ongoing response

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 COVID-19 activity. A process for capturing, recording, and reporting COVD-19 costs and risks was put in place to ensure a robust process with a clear audit trail.

The council implemented arrangements to enable remote committee meetings to take place so that Members could continue their decision-making roles. Any decisions that were taken under delegated authority have been published on the Council's website, reviewed by the Audit and Governance Committee, and reported at the monthly Cabinet meeting.

The council has undertaken a phase 1 lessons learned review, the objectives of which were to recognise the strengths of emergency response activity to date, identify opportunities to improve practice in the short-term, facilitate transition into restoration and recovery; and strengthen the Council's corporate resilience in readiness for future emergencies. Interviews were conducted with senior managers from across the Council who had played an important role in the Council's response to Covid-19. The review underlined the many strengths of the Council's response, which offer a strong foundation upon which the Council can increase its corporate resilience.

Community Impact Assessments (CIAs) have been produced, linked to the LRF Recovery Coordinating Group, which tell the story of Covid-19 and seek to understand the impact Covid-19 has had on communities in order to enable targeted short-term support and mitigations for the future.

Financial Management

The last decade has provided a particularly challenging landscape for Local Government finances, continued reduced funding coupled with ever increasing demand for services. 2020/21 was a particularly difficult year due to the pandemic, which saw costs rise and income fall. Albeit assistance was provided from Central Government, it continues to challenge how we provide services in the future and what the new post-COVID normal will look like. The ongoing pandemic creates an element of uncertainty particularly at a time when we are continuing to receive one-year only funding from Government. This was the case in 2020/21 and will be the case for 2021/22.

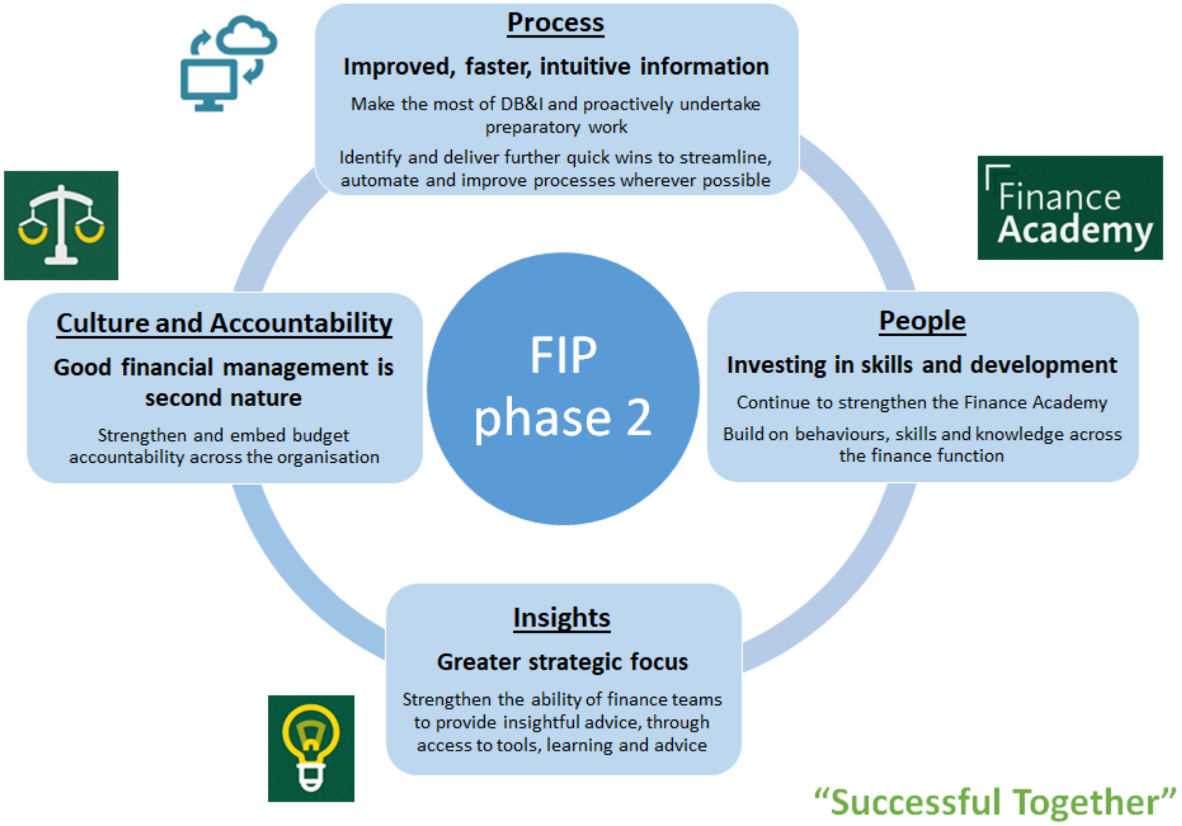
Despite this, collectively the Council has worked incredibly hard to ensure costs and income are managed effectively to achieve a surplus position. The council has continued to focus on a smaller set of priorities, as outlined in the Organisation Strategy, meaning a better alignment of resources and activity to deliver the outcomes that will make the most difference to the lives of residents, and ensuring this is done in the most financially sustainable way.

Success should be measured against the positive impact on the residents of Surrey on the delivery of priority objectives and the considerable investment made over the last 2 years with the transformation agenda.

For the third successive year, the Council prepared a budget which did not rely on the use of Reserves to balance the budget, allowed for continued investment in the Transformation programme and created a Feasibility Reserve which will support increasing investment in the community. The contingency and Reserves have been built year-on-year to provide flexibility and enable a risk managed approach to support financial sustainability in the medium-term.

As part of our journey for continuous improvement, the Council's Finance Improvement Programme (FIP) was closed in June 2020 and FIP Phase 2 was launched. The success that was FIP

Phase 1 culminated in a CIPFA Public Finance 2020 award with the Finance Team receiving a "Highly Commended" accolade.
The four cornerstones of the next phase of the Improvement Programme are: Improved, faster and more intuitive data; further investment in upskilling of staff; providing greater insights and strategic focus and inciting a culture of good financial management which comes with clearly defined and understood accountability.



As part of striving for financial excellence the draft 2019/20 Annual Accounts were produced by 31st May despite the challenges of COVID. Grant Thornton, the Council's external auditor, commented on the strides the Council had made in one year to increase both the timeliness and quality of the Accounts. A much-improved Value for Money (VFM) conclusion was received which no longer (after some years) provided an adverse conclusion due to financial resilience.

Transformation
The progress the Council has made in recent years has been underpinned by an ambitious and effective approach to transformation. Since its inception in 2018/19 the Transformation Programme has improved vital services for residents, introduced innovative new service models, built capacity and competency, and made a significant contribution to stabilising the Council's finances. This includes the achievement of £74m of ongoing efficiencies by the end of 2020/21 and containing costs in areas of growing demand, thereby ensuring we can operate within available resources and protect investments in key services. We review and refresh the Transformation Programme annually, ensuring we continue to build on and improve what we do for our residents.
We continue to use robust assurance mechanisms, co-ordinated through the Transformation Support Unit, to track delivery of the transformation programme. Transformation governance arrangements are in place to oversee this including a Member Transformation Assurance Board

(Chaired by the Leader of the Council) that meets monthly to help shape and review the overall portfolio of change, along with Select Committees continuing to inform and scrutinise programmes within their respective remits.

Systems and Process Transformation

The Digital Business & Insights (DB&I) Programme is enabling the Council to achieve its ambitions to drive service transformation, improve management decision making, deliver sharper insight, and move to a more flexible and mobile workforce. The design phase of the programme has been completed and we are now in the build phase, with go live in December 2021.

The Executive Director of Resources (Section151 and Senior Responsible Officer for the Programme) chairs the Strategic Programme Board comprising corporate directors, directorate leadership and programme delivery leads, which sponsors the transformation, makes strategic decisions, allocates resources and ensures the effective management of escalated issues and risks.

Workforce

Inevitably, the focus in 2020/21 has been to support the Council through the Covid pandemic. In particular, and in response to the Council's strategy to keep staff and communities safe and to keep critical services running, we very quickly mobilised staff across the Council alongside redeployment of SCC staff to support the Local Resilience Forum. Of note is our contribution to the creation of a new community hospital; NHS Seacole Centre, where we worked with District, Borough and Surrey Heartlands ICS colleagues to stand up the new facility in record time.

Within the Council, a significant focus continues to be on staff wellbeing, particularly mental health, with extensive support provided to help our workforce manage anxiety, stress, fatigue, and isolation. Ongoing monitoring of Covid related and other staff sickness absence is reported on a weekly basis, together with the recording and reporting of staff vaccines.

In tandem with the considerable amount of work undertaken to maintain service delivery during the pandemic, a significant transition to home and remote working has been successfully achieved in 2020, to ensure staff who previously were required to attend an office space were equipped to work remotely, reducing the footfall in council buildings. This not only enabled us to keep staff as safe as possible and reduce the spread of Covid 19, but also laid the foundations for future working and the successful move out of County Hall, despite the national lockdown.

This cultural shift is the progression of the work that started in 2019/20 through the Council's Agile Transformation Programme, but which has seen real acceleration during the last year, with staff adopting different working practices and using technology to facilitate virtual collaboration. There has been a surge in online communications through the Council's internal Jive platform (alongside correspondence sent to people's home addresses for those staff without access to SCC systems), where practical information, advice and support is shared. This has transformed how the Council works now and, in the future, and has delivered a real cultural change towards a more collaborative, modern, and agile organisation.

Leadership has remained a vital element in the growth of our people over the last year, with an increased focus on supporting managers at all levels (and with an emphasis on leading remotely and in an agile environment), through the introduction of a new Leadership Hub, consisting of a range of development opportunities for everyone in leadership roles, from new managers through to executive directors.

We have re-doubled our efforts to provide entry to work schemes for our young residents, including our participation in the new Kickstart programme, which aims to support young people aged 16-24 who are at risk of long-term unemployment into work. We are targeting our focus on the young people who we know often face barriers in transitioning to the workplace, e.g., Looked After Children, Care Leavers, NEETs and young people with SEND, and have offers across the Council for 42 places to start from April 2021.

Finally, the latter part of 2020/21 has seen the development of our new workforce strategy: Workforce of the Future. This is ambitious and future focussed and recognises that the workforce we need in the future will be strongly influenced by the economic, social, demographic and technological trends we are seeing emerge at a local, national and global level. The pace of this change and the impact it has on work has accelerated due to the pandemic and it is critical we respond to be a modern employer that can attract the best talent and maximise the contributions of its workforce, for the benefit of Surrey's residents.

The strategy, which will be delivered in an agile way through a series of pilot projects to trial new approaches, in parallel with work to develop the necessary enabling capability and capacity (e.g., skills, policies, processes), has five key areas of focus:

- Workforce insight & management
- Strategic workforce planning
- Work & job design
- Resourcing
- Employee experience

The strategy's overarching vision is for the Council to "Be representative of the communities we serve; a place where people aspire to work, where everyone feels able to bring their whole self to work and know that they are making a difference every day. We will be at the forefront of innovation and best practice in people management to ensure that we maximize the value of our workforce in a rapidly changing world. We will have high expectations of our staff, and in turn invest in them and offer a compelling employee value proposition."

Equalities, Diversity and Inclusion (EDI)

The council is starting to take a broader, more radical approach that embeds EDI into everything we do. The new Action Plan sets out a vision for EDI that changes the processes, systems and behaviours affecting the experiences of all Surrey residents and staff who work for the Council. The plan is a living document that will continue to evolve as we make progress and as our strategic context changes. A Corporate Leadership Team sponsor for this work will be the accountable officer for implementing the plan.

A new EDI Policy Statement has been developed that clearly sets out our commitment to embedding EDI in all our activities and what this means for residents, Members and staff. It confirms that the authority will take a zero-tolerance approach to bullying, harassment and discrimination and that it will deal with any incidents of such behavior decisively.

This year has seen our existing networks flourish, (Women's and Early Careers), as well as the launch of a raft of new networks, e.g., Parents and Carers, MEGA (Minority Ethnic Group & Allies), Disability, LGBTQI+ and Men's Networks; the networks are proving hugely valuable in helping us to better understand and respond to the challenges (and opportunities) faced by our diverse workforce. Alongside this, we launched unconscious bias and anti-racism training as well as targeted development for specific staff groups and elected Members.

Major Procurement Governance

The Procurement Service operates under The Public Contracts Regulations (PCR) 2015, these regulations are reinforced and embedded into the Councils constitution via the Procurement Standing Orders (PSOs).

The council spends approximately £900 million per annum on third party goods and services. Each procurement project that is run by the Council is assessed for project complexity and contract management. All projects over the PCR threshold are included on the Procurement annual forward plan, which is approved annually by Cabinet.

All Procurement projects undergo two internal governance checks in addition to the PCR regulation report, the first check is undertaken prior to any approach to the external market to validate the approach and procurement process, the second and final check is completed prior to any award decisions being undertaken, which includes, as a minimum, sign offs from the stakeholder, legal and finance.

Service specific governance considerations:
In addition to the organisation-wide areas discussed above, there are several service specific governance arrangements to consider:

Children's Services
Following the major restructure of children's services completed in 2019, the improvement programme has continued in 2020 throughout the Covid-19 pandemic and while some resources have shifted to support other parts of the service, improving frontline practice is critical and it remains a priority for the CFLLC directorate. The improvement programme is in the final year of delivery and is embedding the new ways of working to ensure profound and rapid improvements to children's services in Surrey so that all children in the county receive the right help at the right time. With agreement from the Department for Education (DfE), Essex County Council has been appointed as a Partner in Practice (PiP) for Surrey's children's services. Essex CC is rated as 'Outstanding' for Children's Services and specialises in working alongside other authorities to improve social work practice, and outcomes for children and their families. In September 2020 a full stocktake of our services was carried out and initial feedback shows how far the Council has come since 2018 and has reinforced our improvement plans and the priorities set out in the 'Getting to Good' plan.
Ofsted inspectors were 'virtually' on site during March 2021 to review how well our children's social care has been delivering child-centred practice and care within the context of the Covid-19 restrictions. The inspectors acknowledged our significant improvement journey, the Council's commitment to driving forward the required changes and the fact that progress continued, notwithstanding the challenges of the past year. Inspectors saw several service changes which are having a positive impact on outcomes for children and families and recognised senior leaders' swift response to the challenges of the pandemic. As well as recognition of areas of progress, there are some areas for further improvement, which reflect aspects that we had identified ourselves in the self-assessment and which the service is already addressing.

Health Partnerships
The health and care system in Surrey is complex, with a complicated governance architecture across multiple NHS partnership boundaries. There are many meetings needing attendance and servicing which have contributed to making working towards closer integration between the County and the NHS challenging. During 2020/21, the Council and NHS partners have worked in close partnership to coordinate and deliver our operational response to the pandemic, including coordination around hospital discharge, supporting care homes to implement infection control procedures, managing health and care outside of hospital settings and supporting the testing and vaccination programmes, including insight generation to ensure equitable uptake of both testing and vaccines in harder to reach communities. During the year the Surrey Heartlands Integrated Care System (ICS) commissioned a review of governance processes to streamline the governance framework. This work was superseded by the publication of a government White Paper, 'Enabling Innovation and Integration' which proposes legislation to disband Clinical Commissioning Groups and establish ICSs as legal entities, which will assume many of the statutory responsibilities previously held by CCGs. The legislation is expected to be implemented from April 2022 and may lead to new responsibilities and new ways of working for the Health and Wellbeing Board in relation to the component parts of the ICS.
Surrey Heartlands ICS has restructured its executive team and now includes two joint appointments with the Council - the Executive Director for Public Service Reform and the Executive Director for Integrated Commissioning and Adult Social Care.
Considering the impact of the pandemic, the Health and Wellbeing Strategy was refreshed to bring a more explicit focus to addressing health inequalities and ensuring an equitable recovery from the Covid-19 Pandemic.

Organisational Governance
The covid pandemic led to the implementation of new decision-making arrangements within the Council through remote meetings. Additional emergency delegations were put in place by Council to

ensure business could continue uninterrupted with the Audit and Governance Committee keeping these under review throughout the year. Member and public engagement benefitted from live webcasting of all meetings and the Council is supportive of being given the flexibility in future to hold remote meetings when appropriate. This will mean a proportionate approach which also recognises the value of face-to-face meetings to promote inclusivity, visibility and accountability in decision making.

The Council has strengthened its ethical framework with the adoption by Council of a new Code of Conduct for Councillors for the 2021 municipal year. In December 2020 the Council appointed 2 Independent Persons to consider any complaint made against members in a revised process to give increased objectivity and openness. All members have received induction and training on the new Code and the declarations of interest required both generally and when making Council decisions.

A gap analysis of governance arrangements for Council companies has been undertaken further to recommendations of good practice. This concluded that current arrangements were good but would benefit from further work on the responsibilities of Council appointed Directors, greater clarity on the role of Council shareholder representatives and ensuring greater confidence in member oversight. These improvements will be implemented in 2021/22.

The annual review of governance policies and process carried out by the Council's Governance panel concluded that governance systems are a in place with many being updated and improved throughout the year, however, accessibility, training and communication could be improved to give more confidence these were understood and embedded across the organisation.

In the year ahead the Council will meet the challenges and opportunities of its ambition to become best in class and an exemplar of good governance. This will be achieved by meeting all its governance duties through compliance with its legal, financial, procurement and other obligations, and in addition, by establishing a framework of behavioural characteristics and values to promote and assess good governance in all its forms.

The governance framework will emphasise the responsibilities of all members and officers, both individually and collectively, to create the self-aware, frank and reflective environment needed for good organisational governance for the long term. The solution will focus as much on values and behaviours, as it does on systems and process change.

Compliance and Risk

The council's financial management arrangements during 2020/21 fully complied with CIPFA's Statement on the Role of the Chief Finance Officer (CIPFA, 2010). The Executive Director of Resources (s151) met his financial responsibilities during the year and ensured financial management arrangements were in place. He reports directly to the Chief Executive and had regular contact with the Leader and key Members, Monitoring Officer, Chief Internal Auditor and other Executive Directors.

During the year the Council completed a high-level assessment against the new CIPFA Financial Management Code (FM Code) standards. The review concluded that the Council demonstrates overall compliance with the standards with several areas exceeding the standards and a small number of improvement areas.

In 2020, EY were appointed as a risk management partner to review the Council's risk management approach. Risk sessions were held with management teams and the output from a risk culture survey was reviewed to develop a high-level risk strategy, purpose and vision alongside a new strategic risk register. Progress updates were presented to the Audit and Governance Committee throughout the year.

The impact of the COVID-19 pandemic led to a partial suspension of the annual audit plan, and the service supported the needs of the organisation in a variety of ways. This included providing advice and assurance where processes and controls were changed to facilitate faster and different responses to pressures on services and providing assurance around the robustness of operating practices in key activities such as business continuity arrangements and COVID-19 response protocols. Remaining audit resource was prioritised to look at core financial systems and processes and to address emerging risks as the year passed.

Despite this disruption to planned work, the Chief Internal Auditor has determined that sufficient coverage has been achieved to provide Reasonable Assurance that the Council has in place an adequate and effective framework of governance, risk management and internal control for the period 1 April 2020 to 31 March 2021. Based on management responses to audits, and the implementation of actions agreed for improvement following them, significant effort continues to be made by the organisation to strengthen governance, risk management and internal control.

Transformational programmes continued to deliver their anticipated benefits during the year, whilst a new programme is underway to redesign and replace the main accounting system that underpins the Council's finances. Ongoing audit work continues to support this programme and will also provide assurance that the newly relaunched risk management process is embedded across the authority.

2019/20 Annual Governance Statement Action Plan – Follow Up

Issue identified during 2019/20	Action taken during 2020/21
Covid-19 Recovery Programme	An internal Operational Group consisting of senior managers from across the organisation, and co-chaired by the Executive Director for Corporate Resilience and the Director for Public Health has continued to coordinate Covid 19-related activity, identify and manage risk, and ensure effective information flows. The council continues to work with partner organisations to ensure on-going response activity is sustainably resourced and overseen by appropriate governance structures, including the Council's Corporate Resilience Group. This is further supported by the Local Resilience Forum Recovery Coordination Group. The council has also maintained a continuous focus on staff wellbeing, providing a range of resources, advice and guidance. Regular staff communications have clearly set out the Council's position on key issues, and a comprehensive risk assessment process has enabled the Council to identify and put in place mitigations appropriate for individual staff members, including those most at risk.
Agile workforce Changing our culture and the way we organise ourselves as a council, as well as the practical aspect such as technology.	The Agile Organisation Programme has been fully established, bringing together HROD, Land and Property, IT&D and programme change to drive the adoption of Agile working. All teams have been engaged with to build their own plans for adopting Agile, with particular focus during 2020 on the move out of County Hall.
Children's Services Greater focus on the impact of the Children's Improvement Programme.	The Family Resilience improvement programme has continued in 2020 throughout the Covid-19 pandemic and while some resources have shifted to support other parts of the service, improving frontline practice remains a priority.
Performance Reporting and Risk Management Embedding the performance management and risk management frameworks.	EY were appointed during the year to develop the Council's approach to risk management and strengthen the risk culture. The project team met regularly to review progress and updates have been provided to Audit and Governance Committee.

Land & Assets Improving the effectiveness, efficiency and commercialisation of the Land and Property function to ensure it supports service delivery to residents and organisational objectives for the Council.	An improvement program was established in September 2020 and work commenced: Business Performance: assessing current processes and identifying improvement areas. Systems: Engaged with the implementation of the Integrated Workplace Management System and adding a user experience lens to deployment. People: Mapping current structures and engagements.
Governance Improvements to the Council's governance including the Member Code of Conduct and Governance Panel.	A Member task and finish group was established over summer 2020 and recommended a new Code of Conduct for councillors to Audit and Governance Committee. The Standards complaints procedure has been revised by the task group and two new independent persons have been recruited. The Governance Panel meets quarterly to review governance across the Council and an AGS action tracker has been established for reporting.
Digital Business and Insights Programme to enable transformative process improvements. To facilitate the transformation of our core processes through the replacement of the existing SAP corporate system	The DB&I project team, supported by subject matter experts from both the functional areas (Finance, Procurement, HR and Payroll) and the Directorates, have been working with our implementation partner Unit4, on the Design stage which was signed off by the Strategic Programme Board in January 2021.
Pensions Administration Improvement Programme	A pension administration "Turnaround Board" was established during the year to oversee the dissolution of the Orbis pension partnership, along with reversion to sovereign authorities including a review of the fundamentals for delivering pensions administration. The progress of this board is reported to the Chairman of the Local Pension Board and the Pension Fund Committee monthly. The pension administration team have made progress on improving areas highlighted by internal audit as having control weaknesses, including making significant headway in clearing down the backlog of legacy cases that had been built up over a considerable period.

2020/21 Annual Governance Statement Action Plan

Issue identified during 2020/21	Action to be taken during 2021/22
Childrens' Services To continue to make improvements in our Children's Services.	Continued focus on Children's Services improvement through oversight and scrutiny of action plans and ongoing activity.
Pensions Administration	The Pensions Transformation Programme will address planned improvements in people, process and technology. The new

To continue improvements in the Pensions Administration service and integrate with the Pension Fund team.	organisational structure will deliver a single team encompassing, investments, accounting, governance and administration for a sovereign Surrey Fund.
Governance To promote good governance not only through systems and process but emphasise behavioural characteristics and values.	A governance performance framework will be developed based on the organisational characteristics, behaviours and values which evidence good governance in all its elements, to promote high standards across the organisation.
Land and Assets Improving the effectiveness, efficiency and commercialisation of the Land and Property function to ensure it supports service delivery to residents and organisational objectives for the Council.	A Land and Property “purpose and Strategy” program focused on the Council’s vision will be delivered, including: -implementing Planon – an integrated property work management system, -a new project planning and risk framework for all capital projects, -a culture, values and skills project for all staff, -a new operating model for facilities management, -a review of finance, risk, audit recommendations, performance and stakeholder engagement
Risk Management To continue to develop the Councils risk management approach and embed across the organisation.	The risk management capabilities across the organisation will be developed with the implementation of risk assessments across the organisation and a standardisation of the approach. A risk framework will also be finalised to reflect the new risk management processes.
Company Governance To ensure Surrey CC companies meet best practice in oversight, planning and governance arrangements.	Further improvements will be made to the governance arrangements for Council companies including, business planning, oversight, training and development on the role and responsibilities of directors and conflicts of interest, risk management reporting and scrutiny.

Tim Oliver Joanna Killian
Leader of the Council Chief Executive
July 2021 July 2021

Firefighters Pension Fund

Narrative Report

Legal status

The Firefighters' Pension Fund is administered by Surrey County Council; it falls within the jurisdiction of the Council's chief finance officer for certification and is subject to the Council's statutory audit report prior to being submitted for approval to the Audit and Governance Committee. Since 1st April 2006, the Council has administered (the 1992, 2006 and 2015 firefighters' pension) schemes from a separate local fire-fighter pension fund and therefore the firefighters' pension fund does not form part of the Council's balance sheet.

Fund operations

Employee contributions, new employer's contributions and transfer values received are paid into the pension fund, from which pension payments and other benefits are paid. The fund is topped up by Government grant if the contributions are insufficient to meet the cost of pension payments with any surplus recouped by central government and in that way the fund is balanced to nil each year. The underlying principle is that employer and employee contributions together will meet the full cost of pension liabilities being accrued in respect of currently serving employees while Central Government will meet the costs of retirement pensions in payment, net of employee and employer contributions.

As there are not any investment assets built up to meet these pension liabilities, cash, net of contributions from active members and government grants, has to be generated to meet pension payments as they fall due. When accounting for the cost of retirement benefits the liability is recognised and reported in the Council's cost of services when pensions are earned by employees, rather than when the benefits are eventually paid as pensions. The council's actuary based their calculations on future pension increases being linked to the consumer prices index (see note 38 of the Council's statement of accounts for details of these amounts).

Estimating the net liability to pay pensions depends upon a number of complex judgements relating to salary increase projections, changes in retirement ages and mortality, expected returns on pension fund assets and the discount rate used for financial modelling. A sensitivity analysis carried out by the actuary revealed that a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £51m.

Significant accounting policies

The firefighters' pension fund account is prepared in accordance with the accounting policies as set out in the Chartered Institute Public Finance and Accountancy Code of Practice on Local Authority Accounting in the United Kingdom. The account summarises the transactions of the scheme and the net assets. Normal contributions, both from the members and from the employer which are accounted for on an accruals basis at the percentage rate recommended by the fund actuary in the payroll period to which they relate. The firefighters' schemes are prescribed by statute as unfunded defined benefit final salary schemes, the benefits of which are defined and guaranteed in law in accordance with the concept of the Council as a going concern.

The fund accounts set out below do not take account of obligations to pay pensions and benefits which fall due after the end of the scheme year.

2019/20 £000	Ref: Note	Firefighters' pension fund account	2020/21 £000
		Contributions Receivable:	
(5,139)	1	Contributions receivable from employer (normal)	**(5,444)**
(2,339)	1	Contributions receivable from employees	**(2,263)**
	3	Individual transfers in from other schemes	
(7,478)			**(7,707)**
		Benefits payable	
14,081	2	Pensions	**14,460**
5,005	2	Commutations and lump sum retirement benefits	**1,811**
197	2	Lump sum death benefits	**197**
	3	Individual transfers out to other schemes	
19,283		Total amounts payable	**16,468**
11,805		**Net amount receivable for the year before top-up grant**	**8,762**
(7,096)	4	Top-up grant received from Home Office	**(6,408)**
(4,709)	4	Top-up grant still owing from Home Office	**(2,354)**
11,805		**Net amount payable / receivable for the year**	**(8,762)**

Net Asset Statement

31 March 2020 £000		31 March 2021 £000
	Current assets:	
4,709	Pension top-up grant receivable from Home Office	**2,354**
4,709		**2,354**
	Current liabilities:	
(4,709)	Cash overdrawn	**(2,354)**
(4,709)		**(2,354)**

Note 1 - Contributions receivable

Contributions represent the total amounts receivable from the Council and the pensionable employees. The employer's contributions are made at the rates determined by the Government Actuaries Department, at a nationally applied rate of 21.7% for the 1992 Firefighter' Pension Scheme, 11.9% for the 2006 Scheme and 14.3% for the 2015 Scheme. The council is required to make payments into the pension fund in respect of ill health retirements, when they are granted. No provision is been made for employee and employer contributions for sums due on pay awards not settled.

Note 2 - Benefits and refunds

Benefits and refunds are accounted for in the year in which they become due for payment.

Note 3 - Transfer values

Transfer values are those sums paid to or received from other pension schemes and the firefighters' pension scheme outside England for individuals and relate to periods of previous pensionable employment.

Transfer values received and transfer values paid are accounted for on a receipts and payments basis.

Note 4 – Top up grant

The fund was topped up by Government grant of £8.8m in 2020/21 (£11.8m in 2019/20) as contributions were insufficient to meet the cost of pension payments due for the year. £6.4m was received in year leaving an outstanding balance of £2.4m due from government (£4.7m 2019/20).

SURREY PENSION FUND ACCOUNTS 2020/2021

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Surrey Pension Fund - Fund account

2019/20 £000		Note	2020/21 £000
	Contributions and benefits		
186,625	Contributions receivable	7	**195,173**
11,082	Transfers in	8	**12,727**
197,707			**207,900**
(161,643)	Benefits payable	9	**(160,022)**
(15,339)	Payments to and on account of leavers	10	**(14,465)**
176,982			**174,487**
20,725	**Net additions from dealings with members**		**33,413**
(12,431)	Investment and governance expenses	14	**(10,106)**
(2,270)	Administration expenses		**(2,449)**
(14,701)			**(12,555)**
6,024	**Net additions including fund management expenses**		**20,858**
	Return on investments		
51,320	Investment income	16	**25,564**
(551)	Taxes on income		**(859)**
(512,885)	Change in market value of investments	17	**995,877**
(462,116)	**Net return on investments**		**1,020,582**
(456,092)	**Net increase in the fund during the year**		**1,041,440**
	Closing Net Assets of the Scheme		
4,315,578	**At 1 April (Opening)**		**3,926,132**
3,859,486	**At 31 March (Closing)**		**4,967,572**

Surrey Pension Fund - Net asset statement

31 Mar 2020		Note	31 Mar 2021
£000			**£000**
	Investment assets	17	
661,248	Bonds		**792,692**
2,090,123	Equities		**2,992,053**
280,413	Property unit trusts		**266,256**
394,217	Diversified growth		**455,222**
305,912	Private equity		**337,731**
	Derivatives	17c	
1,905	- Foreign exchange contracts		**4,448**
130,996	Cash		**107,323**
	Other short term investments		
3,590	Other investment balances	17b	**6,173**
3,868,404	**Total investment assets**		**4,961,898**
	Investment liabilities		
	Derivatives	17c	
(40,336)	- Foreign exchange contracts		**(7,226)**
(2,114)	Other investment balances	17b	**(4,669)**
	Borrowings		
3,825,954	**Net investment assets**		**4,950,003**
3,630	**Long-term debtors**	12	**1,815**
36,277	**Current assets**	11	**35,311**
(6,375)	**Current liabilities**	13	**(19,557)**
3,859,486	**Net assets of the scheme available to fund benefits at the reporting period end**		**4,967,572**

The financial statements do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits valued on an International Accounting Standard (IAS) 19 basis is disclosed at note 25 of these accounts. Diversified growth is an investment in a separate pooled fund, which can invest in a variety of traditional and alternative asset classes to target a return comparable with other growth assets but with reduced volatility.

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Note 1: Description of the fund

The Surrey Pension Fund ('the fund') is part of the Local Government Pension Scheme (LGPS) and is administered by Surrey County Council. The Surrey Pension Fund is the reporting entity.

Surrey County Council is responsible for administering a pension fund for staff employed by the county council, the 11 borough and district councils in Surrey and over two hundred and fifty other local bodies. The fund includes local authority employees within Surrey, except teachers, police and firefighters for whom separate pension arrangements apply. The fund is overseen by the Surrey Pension Fund Committee, which is a committee of Surrey County Council.

The scheme is governed by the Public Service Pensions Act 2013. The fund is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

It is a contributory defined benefit pension scheme administered by Surrey County Council to provide pensions and other benefits for pensionable employees of Surrey County Council, the borough and district councils in Surrey and a range of other scheduled and admitted bodies within the county area. Teachers, police officers and firefighters are not included as they come within other national pension schemes.

Border to Coast Pensions Partnership

In the July 2015 Budget, the Chancellor announced the Government's intention to work with the LGPS administering authorities with the goal to transition assets into larger asset pools, increasing buying power, economies of scale amongst other benefits. Border to Coast Pensions Partnership (BCPP) was established in 2018, as a joint partnership between 12 Local Government Pension Schemes, including Surrey Pension Fund.

a) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.
Organisations participating in the Surrey Pension Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the fund.
- Admitted bodies, which are other organisations that participate in the fund under an admissions agreement between the fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing of services to the private sector.
- The number of employees in the fund and the number of pensioners as at 31 March 2020 and 31 March 2021 are:

Surrey Pension Fund	**31 Mar 2020**	**31 Mar 2021**
Total Number of Employers	**310**	**304**

Employees in the Scheme		
Surrey County Council	17,133	17,628
Other Employers	18,325	19,221
Total	**35,458**	**36,849**
Pensioners		
Surrey County Council	13,483	14,100
Other Employers	13,761	14,243
Total	**27,244**	**28,343**
Deferred Pensioners		
Surrey County Council	29,991	27,037
Other Employers	18,621	17,025
Total	**48,612**	**44,062**
Total Number of Members	**111,314**	**109,254**

b) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the Local Government Regulations 2013 'as disclosed in the introduction and ranged from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2021. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2019 and new rates applied from April 2020. Currently employer contribution rates range from 12.7% to 43.6% of pensionable pay.

c) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service.

	Service pre 1 April 2008	**Service 1 April 2008 until 31 March 2014**
Basis of pension	1/80th of final salary	1/60th of final salary
Lump sum	Automatic lump sum 3 x pension Trade £1 of annual pension for £12 lump sum	No automatic lump sum Trade £1 of annual pension for £12 lump sum

There are a range of other benefits provided under the scheme including early retirement disability pensions and death benefits. For more details please refer to the Surrey Pension Fund website.

	Service 1 April 2008 until 31 March 2014	**LGPS 2014 scheme**

Basis of pension	Final salary	Career average revalued earnings
Accrual rate	1/60th of salary	1/49th of salary
Revaluation rate	No revaluation: based on final salary	Inflation rate: consumer prices index (CPI)
Pensionable pay	Pay excluding non-contractual overtime and non-pensionable additional hours	Pay including non-contractual overtime and additional hours for part time staff
Employee contribution	See below table	See below table
Normal pension age	65	Equal to the individual member's State Pension Age
Lump sum trade off	Trade £1 of annual pension for £12 lump sum	Trade £1 of annual pension for £12 lump sum
Death in service lump sum	3x pensionable payroll	3x pensionable payroll
Death in service survivor benefits	1/160th accrual based on Tier 1 ill health pension enhancement	1/160th accrual based on Tier 1 ill health pension enhancement
Ill Health Provision	Tier 1 - Immediate payment with service enhanced to Normal Pension Age Tier 2 - Immediate payment with 25% service enhancement to Normal Pension Age Tier 3 - Temporary payment of pension for up to 3 years	Tier 1 - Immediate payment with service enhanced to Normal Pension Age Tier 2 - Immediate payment with 25% service enhancement to Normal Pension Age Tier 3 - Temporary payment of pension for up to 3 years
Indexation of pension in payment	Inflation rate: CPI (RPI for pre-2011 increases)	Inflation rate: CPI

Pre 2014 employee contribution rates	
Pensionable payroll banding	Contribution rate
Up to £13,700	5.5%
£13,701 to £16,100	5.8%
£16,101 to £20,800	5.9%
£20,801 to £34,700	6.5%
£34,701 to £46,500	6.8%
£46,501 to £87,100	7.2%
More than £87,100	7.5%
Estimated overall LGPS average	6.5%

LGPS 2014 employee contribution rates for 2020/21	
Pensionable payroll banding	Contribution rate
Up to £14,600	5.5%
£14,601 to £22,800	5.8%
£22,801 to £37,100	6.5%
£37,101 to £46,900	6.8%
£46,901 to £65,600	8.5%
£65,601 to £93,000	9.9%
£93,001 to £109,500	10.5%
£109,501 to £164,200	11.4%
More than £164,201	12.5%
Estimated overall LGPS average	6.5%

For additional information about the LGPS 2014 please refer to the Surrey Pension Fund website or the LGPS 2014 scheme website

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Note 2: Basis of preparation

The Statement of Accounts summarises the fund's transactions for the 2020/21 financial year and its position at the year end at 31 March 2021. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. No such accounting standards have been identified for 2020/21.

The accounts summarise the transactions of the fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits valued according to the International Accounting Standard (IAS) 19 is disclosed at note 25 of these accounts.

These accounts have been prepared on a going concern basis. The liabilities of the pension fund are ultimately backed by the employing organisations within the fund including government bodies with tax raising powers.

Note 3: Summary of significant accounting policies

Pension fund management expenses are accounted for in accordance with CIPFA guidance on accounting for Local Government Scheme Management Costs.

Fund account – revenue recognition

a) Contribution income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis in the payroll period to which they relate.

Employers' augmentation contributions and pension strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Contributions due for forthcoming periods are not represented within the financial statements.

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations.

Transfers in/leavers are accounted for when received or paid, which is normally when the member liability is accepted or discharged. Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are included within transfers in.

Bulk (group) transfers are accounted for in accordance with the terms of the transfer agreement.

c) Investment income

i) Interest income

Interest income is recognised in the fund account as it accrues using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount premium, transaction costs or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

ii) Dividend income

Dividend income is recognised on the date the shares are quoted as ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net asset statement as a current financial asset.

iii) Distributions from pooled funds

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net asset statement as a current financial asset.

iv) Movement in the net market value of investments

Changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during in the year.

d) Private equity

Distributions and drawdowns from private equity partnerships are accounted for according to guidance from the private equity manager as to the nature of the distribution or drawdown. Income and purchases and sales are recognised at the date the capital call or distribution falls due.

Fund account – expense items

e) Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net asset statement as current liabilities.

f) Taxation

The fund is a registered public service scheme under section 1 (1) of the Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments may be subject to withholding tax in the country of origin. Irrecoverable tax is accounted for as a fund expense as it arises. Tax on income due but unpaid at the 31 March 2021 is reported as a current liability.

g) Management expenses

Administrative expenses

Pension administrative expenses reflect the costs incurred in the payment of pensions and other benefits, the maintenance of member records and provision of scheme and entitlement information. Costs incurred in relation to specific employers are recharged to those individual organisations and therefore excluded from the accounts. All administration expenses are accounted for on an accruals basis. The relevant staffing costs of the pension administration team are recharged to the fund. Management, accommodation and other overheads are apportioned to the fund in accordance with council policy.

Investment management expenses

All investment management expenses are accounted for on an accruals basis. Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under management and therefore increase or reduce as the value of these investments change.

Governance expenses

Governance costs reflect those expenses which fall outside the parameters of administrative or investment expenses. All oversight and governance expenses are accounted for on an accruals basis with associated staffing and overhead costs apportioned in accordance with council policy.

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Net assets statement

h) Financial assets

In 2015 the Department of Housing, Communities and Local Government (as it then was) issued LGPS: Investment Reform Criteria and Guidance which set out how the government expected funds to establish asset pooling arrangements. This has led to the creation of eight asset pools in the UK, and Surrey Pension Fund, along with 11 other funds, is now a partner fund of Border to Coast Pensions Partnership. Each Partner Fund had invested in Class A and B Shares at a cost (transaction price) of £1 and £833,333 respectively. This investment has been valued at cost and will continue to be, as the fair value of these assets cannot be reliably estimated. More information on this can be found in Note 4.

All other financial assets are included in the financial statements on a fair value basis as at the reporting date, with the exception of loans and receivables which are held at amortised cost. A financial asset is recognised in the net assets statement on the date the fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of the assets are recognised by the fund.

The values of investments as shown in the net assets statement have been determined as follows:

i) Market quoted investments

The value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.

ii) Fixed interest securities

Fixed interest securities are recorded at net market value based on their current yields.

iii) Unquoted investments

The fair value of investments for which market quotations are not readily available is as follows:

- Valuations of delisted securities are based on the last sale price prior to delisting, or where subject to liquidation, the amount the fund expects to receive on wind-up, less estimated realisation cost.
- Securities subject to takeover offer are valued at the consideration offered, less estimated realisation costs.
- Directly held investments by limited partnerships, shares in unlisted companies, trusts and bonds. Other unquoted securities typically include pooled investments in property, infrastructure, debt securities and private equity. The valuation of these pools or directly held securities is undertaken by the investment manager or responsible entity and advised as a unit or security price. The valuation standards followed in these valuations adhere to industry guidelines or to standards set by the constituent documents of the pool or management agreement.

iv) Investments in private equity funds and unquoted listed partnerships are valued based on the fund’s share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers in accordance with the guidelines set out by the International Private Equity and Venture Capital Guidelines, which follow the valuation principles of IFRS.

v) Limited partnerships

Fair value is based on the net asset value ascertained from periodic valuations provided by those controlling the partnership.

vi) Pooled investment vehicles

Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; or if singularly priced, at the closing single price.

i) Foreign currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot rate on the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

j) Derivatives

The fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The fund does not hold derivatives for speculation purposes.

Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. Changes in fair value of derivative contracts are included in the change in market value.

The value of futures contacts is determined using exchange prices at the reporting date. Amounts due from or owed to the broker are the amounts outstanding in respect of the initial margin and variation margin.

The future value of forward currency contracts is based on the market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year end with an equal and opposite contract.

k) Cash and cash equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal changes in value.

l) Financial Assets

Financial assets classed as amortised cost are carried in the net asset statement at amortised cost, i.e. the outstanding principal receivable as at the year-end date plus accrued interest.

m) Financial liabilities

The fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net asset statement on the date the fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the fund.

n) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirement of IAS 19 and relevant actuarial standards.
As permitted under the Code, the fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net asset statement.

o) Additional voluntary contributions

Surrey Pension Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those in the pension fund. The fund has appointed Prudential as the AVC provider. A small number of members remain with the previous provider Equitable Life. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amounts held in their account and the movements in the year.

AVCs are not included in the accounts in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (Note 26).

Note 4: Critical judgements in applying accounting polices

Pension Fund Liability

The pension fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in note 25. This estimate is subject to significant variances based on changes to the underlying assumptions.

An allowance has been made for the recent McCloud judgement which relates to age discrimination within the New Judicial Pension Scheme. It is currently unclear how this judgement may affect LGPS members' past or future service benefits. Discussions are ongoing between the governing bodies and the LGPS to understand how this may affect mechanisms within the scheme, however, at the time of producing the report no guidance or indication of the likely impact of this ruling has been provided.

Investment of Class A Shares & B Shares in Border to Coast Pensions Partnership

This investment has been valued at cost on the basis that fair value as at 31 March 2021 cannot be reliably estimated. Management have made this judgement because:

- Border to Coast Pensions Partnership Ltd is intending to trade at a break even position (no/minimal profit or loss) with any values off-set against Partner Fund future costs. The company have now published a set of full year audited accounts and these show the company equity as equal to the 'Called up Share Capital' i.e. Class B Regulated Capital of £10m (shared equally between the twelve partner fund.
- They will always use a cost based methodology.
- The shares will never be traded externally

Note 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 by taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the net assets statement or subsequent notes as 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
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pension 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 fund with expert advice about the assumptions to be applied.	The net pension liability of the fund would change. a +0.5% increase in Pensions Increase Rate will increase liabilities by £747m a +0.5% increase in Salary Increase Rate will increase liabilities by £61m a +0.5% increase in the Discount Rate will increase liabilities by £824m a 1 year increase in life expectancy would approximately increase the liabilities by around 3-5%.
Private equity	Private equity investments, both limited partnership and fund of funds, are disclosed at fair value, provided by the administrators of the funds. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation. These are usually classified as Level 3 Investments	The total private equity investments in the financial statement are £337.7 million. There is more uncertainty regarding the valuation of these asset types, and could potentially be subject to material adjustments
Fund of fund investments	Where investments are made into a fund of fund structure there is an additional level of separation from the fund These investments are not publicly listed and as such there is a degree of estimation involved in the valuation using best available dates of valuation. These are usually classified as Level 3 Investments	The total private equity fund of fund investments are £130.6 million. There is more uncertainty regarding the valuation of these asset types, and could potentially be subject to material adjustments

COVID-19 Outbreak	Due to considerable market volatility from March 2020 leading into 31 March 2021, there has been additional material uncertainty regarding the Fund's investment valuations, specifically its private equity and pooled property investments. With their nature being illiquid assets, there has not been a direct correlation on the market value of these assets in comparison to public markets, as a result of COVID-19 Property valuers of pooled property funds have indicated that values are likely to fall and they can attach less weight to previous market evidence to inform market opinions. There have been adverse effect on stock markets, growth forecasts and business confidence, which means rental and capital values may change rapidly in the investment property market The above applies similarly to private equity, specifically uncertainty regarding future economic growth forecasts, and business confidence. There is also additional uncertainty of future cashflow forecasts of these private equity assets, resulting in a reduced level of certainty that can be attached to the valuation of these investments.	The Fund will request updated valuations from its fund managers where possible, and will make the necessary amendments to the Accounts, if they are seen to be material

Note 6: Events after the balance sheet date

The Statement of Accounts is adjusted to reflect events after the balance sheet date, both favourable and unfavourable, that occur between the end of the reporting date and the date when the Statement of Accounts is authorised for issue that provide evidence of conditions that existed at the end of the reporting period unless deemed insignificant to the true and fair value of the Fund's assets and liabilities. Those events taking place after the date of authorisation for issue will not be reflected in the statement of accounts.

Note 7: Contributions receivable

By Category:

2019/20		2020/21
£000		£000
39,470	**Total Employees' Contributions**	**44,332**
	Employers' Contributions:	
104,583	Normal Contributions	111,413
	Augmentation Contributions	
42,572	**Employers deficit**	39,428
147,155	**Total Employers' Contributions**	**150,841**
186,625		**195,173**

By Authority:

2019/20		2020/21
£000		£000
84,191	Administering authority	82,695
93,981	Scheduled bodies	104,196
8,453	Admitted bodies	8,282
186,625		**195,173**

The latest actuarial valuation carried out as at 31 March 2019, set contribution rates for fund employers with effect from April 2020. The financial year 2020/2021 is the first year of the revised employer contribution rates.

Note 8: Transfers in from other pension funds

2019/20		2020/21
£000		£000
11,082	Individual transfers in from other schemes	**12,727**
11,082		**12,727**

Note 9: Benefits payable

By category

2019/20 £000		2020/21 £000
134,183	Pensions	139,089
23,829	Commutation and lump sum retirement benefits	16,569
3,539	Lump sum death benefits	4,267
92	Interest on late payment of benefits	97
161,643		**160,022**

By employer

2019/20 £000		2020/21 £000
77,586	Administering Authority	74,978
70,730	Scheduled Bodies	72,285
13,327	Admitted Bodies	12,758
161,643		**160,022**

Note 10: Payments to and on account of leavers

2019/20 £000		2020/21 £000
14,844	Group transfers to other schemes	13,983
503	Refunds of contributions	493
-8	Payments for members joining state schemes	(11)
15,339		**14,465**

Note 11: Current assets

2019/20		2020/21
£000		**£000**
2,938	Contributions – employees	2,600
8,842	Contributions – employer	6,898
24,497	Sundry debtors	25,813
36,277		**35,311**

Analysis of current assets

2019/20		2020/21
£000		**£000**
5,073	Central government bodies	2,436
25,519	Other local authorities	27,519
5,685	Other entities and individuals	5,356
36,277		**35,311**

Note 12: Long term debtors

2019/20		2020/21
£000		**£000**
3,630	Central government bodies	1,815
3,630		**1,815**

On 1 April 2005 the Magistrates Court Service (an employer in the Surrey Pension Fund) became part of the Civil Service. Terms were agreed for the transfer of liabilities from the Local Government Pension Scheme (LGPS) to the Principal Civil Service Pension Scheme (PCSPS). The fund's actuary determined the value of the pensioner and deferred liabilities remaining with the fund and calculated the retained assets to match these liabilities. The actuary determined that the assets were insufficient to match the liabilities and that a balancing payment would be required.

On 11 March 2013 the total value of the shortfall was agreed as £18.150m, to be made in ten equal, annual instalments commencing on 15 April 2013. The full amount was recognised as contributions during 2012/13. A corresponding debtor was created. The first instalment of £1.815m was received on 26 March 2013 meaning that the remaining nine instalments were due in excess of one year from the 31 March 2013, the whole of the remaining balance was therefore included as a long term debtor in the accounts. The outstanding balance as at 31 March 2021 is £3.630m but £1.815m was due in 2020/21, leaving a long term debtor of £1.815m.

Note 13: Current liabilities

2019/20 £000		2020/21 £000
6,061	Sundry creditors	19,208
314	Benefits payable	348
6,375		**19,557**

Analysis of current liabilities

2019/20 £000		2020/21 £000
908	Central government bodies	610
3,141	Other local authorities	14,429
2,326	Other entities and individuals	4,518
6,375		**19,557**

Note 14: Investment and governance expenses

2019/20 £000		2020/21 £000
10,427	Investment management fees	7,506
85	Investment custody fees	112
1,919	Oversight and governance costs	2,489
12,431		**10,106**

The investment management fees includes £611k in respect of transaction costs (2019/20: £612k).

As part of its oversight and governance costs in 2020/21, the fund had also spent £1.4m in respect of pooling costs as part of Surrey Pension Fund's ongoing transition into the Border to Coast Pensions Partnership (BCPP)

Note 15: External Audit Costs

2019/20		2020/21
£000		**£000**
42	Payable in respect of external audit	36
42		**36**

Note 16: Investment income

2019/20		2020/21
£000		**£000**
	Bonds	
	UK	
5,529	Overseas	**2,619**
	Equities	
9,264	UK	**3,565**
19,286	Overseas	**7,657**
13,231	**Property unit trusts**	**7,214**
2,166	**Diversified growth**	**1,044**
1,457	**Private equity**	**3,110**
302	**Interest on cash deposits**	**298**
85	**Other**	**57**
51,320		**25,564**

Note 17a: Reconciliation of movements in investments and derivatives 2020/21

	Market value at 31 Mar 2020	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Market movements	Market value at 31 Mar 2021
	£000	£000	£000	£000	£000
Bonds	**661,248**	72,619	0	58,826	**792,692**
Equities	**2,090,124**	754,998	(680,491)	827,422	**2,992,053**
Property unit trusts	**280,412**	7,457	(9,864)	(11,749)	**266,256**
Diversified growth	**394,217**	1,491	0	59,514	**455,222**
Private equity	**305,912**	90,485	(51,768)	(6,898)	**337,731**
Derivatives					
- Futures	**0**				**0**
- Forex contracts	(38,431)	64,483	(102,041)	68,763	**(7,226)**
	3,693,482	**991,534**	**-844,164**	**995,877**	**4,836,728**
Cash	**130,996**				**107,323**
Other Short Term Investments					
Other investment balances	**1,476**				**1,505**
Other Fund Movements					
	3,825,954			**995,877**	**4,945,556**

Note 17a: Reconciliation of movements in investments and derivatives 2019/20

	Market value at 31 Mar 2019	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Market movements	Market value at 31 Mar 2020
	£000	£000	£000	£000	£000
Bonds	**706,529**	5,525		(50,806)	**661,248**
Equities	**2,489,806**	1,110,692	(1,088,114)	(422,260)	**2,090,124**
Property unit trusts	**283,240**	64,376	-56,096	(11,108)	**280,412**
Diversified growth	**402,589**	2,607	0	(10,979)	**394,217**
Private equity	**255,964**	64,769	(42,561)	27,740	**305,912**
Derivatives					
- Futures	**0**				**0**
- Forex contracts	**(123)**	73,771	(72,332)	(39,747)	**(38,431)**
	4,138,005	**1,321,740**	**(1,259,103)**	**(507,160)**	**3,693,482**
Cash	**150,680**				**130,996**
Other Short Term Investments					
Other investment balances	**(38)**				**1,476**
Other Fund Movements				-5,725	
	4,288,647			**(512,885)**	**3,825,954**

Note 17b: Analysis of investments

	31 Mar 2020	31 Mar 2021	
Fixed interest securities	**£000s**	**£000s**	
UK public sector & quoted	216,201	193,930	Level 2
Overseas pooled fund	445,047	598,763	Level 1
	661,248	**792,693**	
Equities			
UK quoted	**174,990**	**50,947**	Level 1
UK pooled funds	**385,440**	**523,858**	Level 1
Overseas quoted	**302,373**	**388,632**	Level 1
Overseas pooled funds	**1,227,320**	**2,028,614**	Levels 1 & 2
	2,090,123	**2,992,053**	
Property unit trusts			
UK property funds	196,394	178,529	Levels 2 & 3
Overseas property funds	84,019	87,727	Levels 2 & 3
	280,413	**266,256**	
Diversified growth			
Overseas diversified growth funds	394,217	455,222	Level 1
	394,217	**455,222**	
Private equity			
UK limited partnerships	110,636	123,836	Level 3
Overseas limited partnerships	87,894	83,316	Level 3
Overseas fund of funds	107,381	130,580	Level 3
	305,912	**337,732**	
Derivatives			
FX forward contracts	(38,431)	(7,226)	Level 2
	(38,431)	**(7,226)**	
Cash deposits	**130,996**	**107,323**	Level 1
Other short term investments			
Other investment balances			
Outstanding sales	**1,347**	**4,302**	Level 2
Outstanding purchases	**(2,114)**	**(4,669)**	Level 2
Tax due on accrued income	**1,475**	**1,090**	Level 1
Accrued income - dividends and interest	**768**	**781**	Level 1
	1,476	**1,505**	
Total investments	**3,825,954**	**4,945,556**	

Note 17c: Analysis of derivatives

Forward currency contracts

Forward foreign exchange contracts are over the counter contracts whereby two parties agree to exchange two currencies on a specified future date at an agreed rate of exchange. At 31 March 2021 the Fund had forward currency contracts in place with a net unrealised loss of (£7.2m) (net unrealised loss of (£38.4m) at 31 March 2020).

2020/21

No of contracts	Contract settlement date within	Currency		Notional amount (local currency)		Asset	Liability
		Bought	Sold	Bought (000)	Sold (000)	£'000	£'000
4	Three Months	GBP	EUR	159,996	(185,028)	2,208	0
5	Three Months	GBP	JPY	80,126	(11,869,700)	2,240	0
6	Three Months	GBP	USD	589,701	(829,869)	0	(11,677)
						4,448	**(11,677)**

2019/20

No of contracts	Contract settlement date within	Currency		Notional amount (local currency)		Asset	Liability
		Bought	Sold	Bought (000)	Sold (000)	£'000	£'000
2	One Month	GBP	EUR	291	(328)	0	0
1	One Month	GBP	JPY	25	(3,319)	0	0
1	One Month	GBP	USD	14,622	(17,214)	744	0
1	One Month	USD	GBP	1,838	(1,490)	0	0
1	Three Months	JPY	GBP	496,500	(3,483)	231	0
2	Three Months	GBP	JPY	82,348	(11,768,100)	0	(5,696)
1	Three Months	USD	GBP	19,289	(14,622)	930	0
3	Three Months	GBP	EUR	161,914	(19,317)	0	(9,225)
7	Three Months	GBP	USD	533,601	693,926	0	(25,408)
						1,905	**(40,329)**

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Stock Lending

Stock lending is the act of loaning a stock, derivative or other security to an investor or firm. During the financial year 2020/21 the fund operated a stock lending programme in partnership with the fund custodian. As at 31 March 2021 the value of quoted securities on loan was £22.8 million in exchange for collateral held by the fund custodian at fair value of £24.2 million

Note 17d: Investments analysed by fund manager

Following on from Central Government's proposal for Local Authorities to pool their pension assets into regional asset pools, Border to Coast Pensions Partnership (BCPP) was established in 2018, of which Surrey is a partner fund. Surrey Pension Fund had transitioned its first asset into the BCPP UK Equity Alpha Fund in November 2018 and into the BCPP Global Equity Alpha Fund in September 2019, and will continue to transition more of its active assets over the coming years.

Investments managed within Border to Coast Pensions Partnership Ltd;

Market value 31 March 2020		Manager	Market value 31 March 2021	
£000	**%**		**£000**	**%**
364,115	9.4	Border to Coast UK Equity Alpha	523,858	10.5
446,212	11.6	Border to Coast Global Equity Alpha	662,732	13.3
810,327			**1,186,190**	

Investments managed outside of Border to Coast Pensions Partnership Ltd;

£000	**%**		**£000**	**%**
1,000,839	25.9	Legal & General Investment Management (LGIM)	1,606,657	32.3
192,295	5.0	Majedie Asset Management	0	0
327,631	8.5	Newton Investment Management	446,941	9.0
379,937	9.8	Western Multi Asset Credit	533,867	10.7
65,110	1.7	Franklin Templeton Investments	64,896	1.3
147,141	3.8	Baillie Gifford Life Limited	173,222	3.5
288,479	7.5	CBRE Global Multi-Manager	283,258	5.7
125,886	3.3	Ruffer	152,142	3.1
121,190	3.1	Aviva	129,858	2.6
2,648,508			3,390,841	
3,458,835			**4,577,031**	

The table above excludes the private equity portfolio as well as internal cash held within the Fund.

Market value 31 March 2020		Security	Market value 31 March 2021	
£000	**%**		**£000**	**%**
235,681	6.1	LGIM - TLCV Bespoke (34048)	263,058	5.3
364,115	9.4	Border to Coast UK Equity Alpha	523,858	10.5
446,212	11.6	Border to Coast Global Equity Alpha	662,732	13.3
379,937	9.8	Western Multi-Asset Credit EUR AC	533,867	10.7
335,219	8.7	LGIM – MSCI World Low Carbon	483,983	9.7
305,439	7.9	LGIM – Rafi Multi Factor	438,570	8.8
0		LGIM World Emerging Markets Fund	310,292	6.2
2,066,603			**3,216,360**	

Note 18: Fair Value – Basis of Valuation

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Description of Asset	Valuation Hierachy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
Futures and Options in UK Bonds	Level 1	Published exchange prices at the year-end	Not required	Not required
Exchange Traded Pooled Investments	Level 1	Closing bid value on published exchanges	Not required	Not required
Unquoted Bonds	Level 2	Average of broker prices	Evaluated price feeds	Not required
Forward Foreign Exchange Derivatives	Level 2	Market forward exchange rates at the year-end	Exchange rate risk	Not required
Overseas bond options	Level 2	Option pricing model	Annualised volatility of counterparty credit risk	Not required
Pooled Investments - overseas unit trusts and property funds	Level 2 & 3	Closing bid price where bid and offer prices are published. Closing single price where single price published	NAV-based pricing set on a forward	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts
Pooled Investments - Hedge funds	Level 3	Closing bid price where bid and offer prices are published. Closing single price where single price published	NAV-based pricing set on a forward	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts

Unquoted Equities	Level 3	Comparable valuation of similar companies in accordance with *International Private Equity and Venture Capital Valuation Guidelines* (2012)	EBITDA multiple Revenue multiple Discount for lack of marketability Control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cash flows, and by any differences between audited and unaudited accounts

Note 18a: Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2010. With the outbreak of COVID-19 and the illiquid nature of the Fund's Level 3 investments, the Fund is still satisfied with the below sensitivity range,

	Assessed Valuation Range (+/-) %	**Value at 31 March 2021 £000**	**Value on Increase £000**	**Value on Decrease £000**
Private Equity	10%	337,731	371,505	303,958
Property funds	10%	118,168	129,985	106,351
Total		**445,899**	**501,489**	**410,309**

a) All movements in the assessed valuation range derive from changes to the value of the financial instrument being hedged against.

b) The potential movement of 10% represents a combination of the following factors, which could all move independently in different directions:

- Rental increases +/- 4%
- Vacancy levels +/- 2%
- Market prices +/- 3%
- Discount rates +/-1%

c) All movements in the assessed valuation range derive from changes in the underlying profitability of component companies, the range in the potential movement of 15% is caused by how this profitability is measured since different methods (listed in the first table of Note 17 above) produce different price results

Note 18b: Reconciliation of Fair Value Measurements within Level 3

	Market value at 31 Mar 2020	Transfers in/ out of Level 3	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Market movements	Market value at 31 Mar 2021
	£000	£000	£000	£000	£000	
Property unit trusts	**132,022**	**0**	**3,974**	**(9,178)**	**(8,650)**	**118,168**
Private equity	**305,912**	0	**90,485**	**(51,768)**	**(6,898)**	**337,731**
	437,934	**0**	**94,459**	**(60,946)**	**(15,548)**	**455,899**

Note 18c: Classification of financial instruments

The following table analyses the fair value of financial assets and liabilities by category and net asset statement heading. No financial assets were reclassified during the accounting period.

As at 31 March 2019				**As at 31 March 2020**		
Designated as fair value though profit and loss	Financial assets at amortised cost	Financial liabilities at amortised costs		Designated as fair value though profit and loss	Financial assets at amortised cost	Financial liabilities at amortised costs
£000	£000	£000		£000	£000	£000
			Financial assets			
661,248			Bonds	792,692		
2,090,124			Equities	2,992,053		
280,412			Property unit trusts	266,256		
394,217			Diversified growth	455,222		
305,912			Private equity	337,731		
1,905			Derivatives	4,448		
	130,996		Cash		107,323	
			Other short term investments			
3,590			Other investments	6,173		
	39,907		Debtors		37,126	

3,735,503	**170,903**		**Total financial assets**	**4,854,575**	**144,449**	
			Financial liabilities			
(38,431)			Derivatives	(7,226)		
(2,114)						
			Other investment balances	(4,669)		
		(6,375)	Creditors			(19,557
			Borrowings			
(40,545)		**(6,375)**	**Total financial liabilities**	**(11,895)**		**(19,557**
3,694,958	**170,903**	**(6,375)**		**4,842,680**	**144,449**	**(19,557**

Note 18d: Net gains and losses on financial instruments

31 March 2020 £000		**31 March 2021 £000**
	Financial Assets	
(467,439)	Designated at Fair Value through profit and loss	927,090
	Loans and Receivables	62,516
	Financial Liabilities	
(39,741)	Fair Value through profit and loss	68,754
(5,695)	Loans and Receivables	(302)
(512,885)	**Total**	**995,604**

Note 18e: Fair Value Hierarchy

31 March 2021	**Quoted market price**	**Using observable inputs**	**With significant unobservable inputs**	**Total**
	Level 1	**Level 2**	**Level 3**	
	£000	£000	£000	£000
Financial assets at Fair Value	2,711,697	1,763,526	461,880	4,937,102
Loans and Receivables	0	0	0	0
Financial Liabilities at Fair Value	0	(16,346)	0	(16,346)
Net financial assets	**2,711,697**	**1,747,180**	**461,880**	**4,920,756**

31 March 2020	**Quoted market price**	**Using observable inputs**	**With significant unobservable inputs**	**Total**

	Level 1	Level 2	Level 3	
	£000	£000	£000	£000
Financial assets at Fair Value	2,148,280	1,151,134	437,934	3,737,348
Loans and Receivables	47,067	1,366	0	48,433
Financial Liabilities at Fair Value	0	(42,450)	0	(42,450)
Net financial assets	**2,195,347**	**1,110,050**	**437,934**	**3,743,331**

Note 18f: Book cost

The book cost of all investments at 31 March 2021 is £3,429million (£3,235 million at 31 March 2020).

Note 19: Outstanding commitments

At 31 March 2021 the Fund held part paid investments on which the liability for future calls amounted to £296million (£378.5million as at 31 March 2020)

Note 20: Nature and extent of risks arising from financial instruments

Risk and risk management

The fund's primary long-term risk is that the fund's assets will fall short of its liabilities (ie promised benefits to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the fund and to maximise the opportunity for gain across the whole portfolio. The fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the fund manages its liquidity risk to ensure there is sufficient liquidity to meet the fund's forecast cash flows. The council manages these investment risks as part of its overall pension fund risk management programme.

Responsibility for the fund's risk management strategy rests with the Pension Fund. Risk management policies are established to identify and analyse the risks faced by the Council's pensions operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

a) **Market risk**

Market risk is the risk of loss from fluctuations in equity prices, interest and foreign exchange rates and credit spreads. The fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price, yield and the asset mix.

To mitigate market risk, the pension fund is invested in a diverse pool of assets to ensure a reasonable balance between different asset categories, having taken external professional advice as necessary. The management of the assets is split between a number of investment fund managers with different benchmark performance targets and investment strategies. Managers are expected to maintain a diverse portfolio and each manager has investment guidelines in place that specify the manager's investment powers and restrictions. Managers are required to report on any temporary breaches of their investment powers and are required to take corrective action as soon as is practicable.

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The fund is exposed to share and derivative price risk. This arises from investments held by the fund for which the future price is uncertain. All securities investments present a risk of loss of capital. The maximum risk resulting from a financial instrument is determined by the fair value of the instrument. By diversifying investments across asset classes and managers, the fund aims to reduce the exposure to price risk. Statutory limits prescribed by Regulations are also in place to avoid concentration of risk in specific areas.

Other Price risk – Sensitivity Analysis

Asset type	Value at 31 March 2021	Change	Value on increase	Value on decrease
	£000	%	£000	£000
UK equities	574,805	18.7	682,035	467,575
Overseas equities	2,417,248	13.1	2,733,937	2,100,559
Bonds	598,763	8.3	648,460	549,066
Index-linked	193,930	8.3	210,066	177,794
Cash	107,323	2.2	109,687	104,959
Property	266,256	4.7	278,808	253,704
Private Equities	337,732	5.0	354,632	320,832
Diversified growth fund	455,222	6.3	484,021	426,423
Other assets	-5,721	2.2	(5,847)	(5,595)
Total Investment Assets	4,945,558	10.4	5,458,438	4,432,678

PIRC Ltd has provided the fund with an analysis of historical asset class returns to determine potential movements in the market price risk of investments during 2020/21 reporting period. The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the latest three year

Asset type	Value at 31 March 2020	Change	Value on increase	Value on decrease
	£000	%	£000	£000
UK equities	560,430	21.3	679,802	441,058
Overseas equities	1,529,693	16.8	1,786,681	1,272,705
Bonds	445,047	10.2	490,442	399,652
Index-linked	216,201	6.5	230,254	202,148
Cash	130,996	2.1	133,811	128,181
Property	280,413	5.4	295,482	265,344
Alternatives	305,912	4.8	320,501	291,323
Diversified growth fund	394,217	6.0	418,028	370,406
Other assets	-36,955	2.1	(36,161)	(37,749)
Total Investment Assets	3,825,954	8.4	4,173,287	3,478,621

(1) The percentage change for total investment assets includes the impact of correlation across asset classes. Therefore the impact upon total assets will not tally to the sum of each asset class' individual value on increase/decrease.

Interest rate risk

The fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The fund is predominantly exposed to interest rate risk through its holdings in bonds. Western Asset Management, the Fund's appointed active bond manager, manages this risk. The fund also invests in pooled bond funds managed by Legal & General and Franklin Templeton.

The fund's direct exposure to interest rate movements as at 31 March 2021 and 31 March 2020 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

As at 31 March 2020		As at 31 March 2021
£000		£000
130,996	Cash & cash equivalents	107,323
0	Other short term investments	
445,047	Fixed interest securities	598,762
576,043	**Total**	**706,085**

Interest rate risk sensitivity analysis

The council recognises that interest rates can vary and can affect both income to the fund and the value of the net assets available to pay benefits. Long term average interest rates are not particularly volatile from one year to the next so a potential move in interest rates of 100 basis points is deemed reasonable.

The analysis below assumes all other variables remain constant and shows the effect in the year on the net assets of a +/- 100 basis point change in interest rates.

Asset type	Carrying amount as at 31 March 2021	Change in net assets	
		+100 bps	- 100 bps
	£000	£000	£000
Cash & cash equivalents	107,323	1,073	(1,073)
Other short term investments	0		
Fixed interest securities	598,762	5,988	(5,988)
Total	**576,043**	**(7,061)**	**(7,061)**

Asset type	Carrying amount as at 31 March 2020	Change in net assets	
		+100 bps	- 100 bps
	£000	£000	£000
Cash & cash equivalents	130,996	1,310	(1,310)
Other short term investments	0		
Fixed interest securities	445,047	4,450	(4,450)
Total	**576,043**	**5,760**	**(5,760)**

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fund is exposed to currency risk on financial instruments that are denominated in any currency other than sterling. The fund holds monetary and non-monetary assets denominated in currencies other than sterling.

The fund therefore has a policy to passively hedge up to 50% of the equity exposure to US Dollar, Yen and the Euro. Legal and General Investment Management manages this currency hedge. Individual fund managers may also use derivatives if permitted by their investment management agreements. Furthermore, fund managers will take account of currency risk in their investment decisions.

Currency risk – sensitivity analysis

PIRC Ltd has provided the fund with an analysis of historical exchange rate movements to determine potential changes in the fair value of assets during the 2020/21 reporting period due to exchange rate movements.

The analysis assumes all other variables remain constant.

Asset type	Value at 31 March 2021 £000	% Change	Value on increase £000	Value on decrease £000
Equities	3,196,669	7.70	3,442,882	2,950,456
Fixed interest	598,762	7.70	644,880	552,644
Property and Private Equity	301,623	7.70	324,855	278,391
Diversified Growth	455,222	7.70	490,284	420,160
Cash and Other Assets	5,619	7.70	6,052	5,186
Total	**4,557,895**	**7.70**	**4,908,953**	**4,206,837**

Asset type	Value at 31 March 2020 £000	% Change	Value on increase £000	Value on decrease £000
Equities	1,299,887	7.35	1,395,460	1,204,314
Fixed interest	445,047	7.35	477,769	412,325
Property and Private Equity	279,294	7.35	299,829	258,759
Diversified Growth	394,217	7.35	423,201	365,233
Cash and Other Assets	11,619	7.35	12,473	10,765
Total	**2,430,064**	**7.35**	**2,608,732**	**2,251,396**

b) Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the fund's financial assets and liabilities.

In essence the fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivative positions, where the risk equates to the net market value of a positive derivative position. However, the selection of high quality counterparties, brokers and financial institutions minimises the credit risk that may occur through the failure to settle a transaction in a timely manner.

Contractual credit risk is represented by the net payment or receipt that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by exchanges to cover defaulting counterparties.

The fund's cash balance is lent to borrowers in accordance with the county council's treasury management strategy. There are rigorous procedures in place to manage the security of all cash deposits, including criteria for the quality of counterparties and limits on the amount that can be placed with any one of those counterparties. The council operates a lowest common denominator approach to counterparty management which means that available counterparties must meet the minimum credit rating criteria with all three ratings agencies.

The fund held no fixed term deposits with other Local Authorities as at 31 March 2021.

The fund holds a separate bank account with HSBC, which holds AA long term credit ratings (or equivalent) with all three credit rating agencies (Fitch, Moody's, Standard and Poor's).

The fund has a call account with Lloyds Bank and 5 accounts with money market funds, managed by JP Morgan (Aberdeen, Black Rock, Deutsche, Goldman Sachs and Aviva). In line with the treasury strategy, the maximum deposit level allowed with each counterparty is £25 million.

Balance at 31 March 2020 £000		Balance at 31 March 2021 £000
	Call account	
19,000	Lloyds	0
	Money market fund	
1,800	Goldman Sachs	0
25,000	Aberdeen MMF	100
20,000	Aviva	11,500
15,100	Blackrock	100
1,600	Deutsche	11,100
	Current account	
123	HSBC	171
82,623	**Internally Managed Cash**	**24,971**
48,373	Externally Managed Cash	82,523
130,996	**Total Cash**	**107,494**

The fund's cash holding under its treasury management arrangements as at 31 March 2021 was £24.9million (£82.6million at 31 March 2020).

c) Liquidity risk

Liquidity risk represents the risk that the fund will not be able to meet its financial obligations as they fall due. The council therefore takes steps to ensure that the pension fund has adequate cash to meet its commitments. The fund needs to manage its cash flows to ensure pensioner payroll costs are met and sufficient cash is available to meet investment commitments.

The treasury management activities of the fund are managed by the Orbis Treasury Function on a daily basis. A cash flow forecast is updated daily to help understand and manage the timings of the fund's cash flows.

The fund has immediate access to the internally managed cash holdings and money market fund.

The fund is able to borrow cash to meet short-term cash requirements, no such instances occurred during 2020/21

The fund currently has a long-term positive cash flow, which reflects the fact that contributions into the fund exceed benefits being paid out. Cash flow surpluses are invested with fund managers, given that the fund has an aim of being as fully invested as possible after allowing for the need to hold working balances. Regular rebalancing exercises take place, which involves assessing the level of internal cash available to be invested with managers.

d) Derivative risk

Some portfolios in which the fund invests may utilise financial derivative instruments to reduce risks or costs or to generate additional returns to meet the portfolio's objectives. Use of such derivatives does not guarantee a positive result for the portfolio.

Derivatives may invoke a small initial investment but carry the potential for a much greater liability. This is known as leverage. A small market movement could therefore have a proportionately larger impact either for or against the fund. Other specific risks include the inability of the portfolio manager to close out a derivative position due to illiquidity in the derivative market.

The employment of derivatives within the fund is limited to specific portfolios where their usage is primarily to manage volatility associated with other holdings. A significant movement to the detriment of the portfolio is intended to be balanced by positive movements in other areas of the portfolio. Fund managers will be expected to ensure a balanced, diverse pool of assets with internal exposure restrictions to limit the impact of potential market movements.

Note 21: Related party transactions

i) Employer pension contributions paid by Surrey County Council in 2020/21 amounted to £70,887k (£74,480k in 2019/20).

2019/2020		**2020/2021**
£000		**£000**
48,894	Employers' current service contributions	52,262
21,126	Lump sum payments to recover the deficit in respect of past service	17,926
4,460	Payments into the fund to recover the additional cost of early retirement liabilities	698
74,480		**70,887**

ii) Surrey Pension Fund paid Surrey County Council £2,449k for services provided in 2020/21 (£2,270k in 2019/20).

2019/2020		**2020/2021**
£000		**£000**
453	Treasury management, accounting and managerial services	410
2,270	Pension administration services	2,449
2,723		**2,859**

iii) Net amounts owed by Surrey County Council to the fund as at 31 March 2021 were £2,620k (£3,070k at 31 March 2020).

Note 22: Key management personnel

The below employees of Surrey County Council hold key positions in the financial management of the Surrey Pension Fund. Their financial relationship with the fund is disclosed as a proportion of salary costs, including employer pension contributions and national insurance contributions that can be attributed to the fund.

2019/20 £	Position	2020/21 £	
17,754	Executive Director of Corporate Resources	10,676	3
10,637	Director of Corporate Finance	16,652	1
100,904	Strategic Finance Manager (Pensions)	102,924	2
52,619	Senior Specialist Advisor	68,674	2
60,297	Senior Pensions Finance Specialist	68,532	2
242,211		**267,368**	

2019/20

1. 10% of time allocated to pension fund
2. 100% of time allocated to pension fund

2019/20

1. 10% of time allocated to pension fund
2. 100% of time allocated to pension fund
3. 5% of time allocated to pension fund

The Members of the Pension Fund Committee as at 31 March 2021 are shown below;

Elected Members:
Tim Evans (Chairman), Ben Carasco (Vice-Chairman), John Beckett, David Mansfield and Hazel Watson, Charlotte Morley,

Co-opted Members:
Ruth Mitchell, Tony Elias and Philip Walker

Note 23: Custody

Custody arrangements for all securities and cash balances are provided by the fund's global custodian, The Northern Trust Company, excluding private market investments and internally held cash. For the Fund's private market investments, the custodial arrangements are managed by the individual private market partnership with each custodian in charge of all private market assets, not just those of the Surrey Pension Fund.

Custodian arrangements for the managers responsible for private market funds are as follows:

Private Market Manager	Custody Provider
BlackRock	PNC Bank
Goldman Sachs	State Street Global Advisors
HG Capital	Bank of New York Mellon
Livingbridge (Formerly ISIS)	Lloyds Banking Group
SL Capital	State Street Global Advisors, Deutsche Bank & JP Morgan
Capital Dynamics	Bank of America
Pantheon	State Street Bank & Trust Co. NA New York
Glennmont Partners	Augentius (Luxembourg) S.A.
Border to Coast	Northern Trust International Banking Corporation

Note 24: Actuarial statement for 2020/21 - Funding arrangements

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), effective from 1 April 2020. In summary, the key funding principles are as follows:

- to ensure the long-term solvency of the Fund using a prudent long term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate, but are set at an appropriate level to ensure the solvency of the pension fund and the long term cost-efficiency of the scheme, so far as relating to the pension fund;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (NB this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to have a sufficiently high likelihood of achieving the funding target over 20 years. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least a 70% likelihood that the Fund will achieve the funding target over 20 years.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2019. This valuation revealed that the Fund's assets, which at 31 March 2019 were valued at £4,286 million, were sufficient to meet 96% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2019 valuation was £196 million.

Individual employers' contributions for the period 1 April 2020 to 31 March 2023 were set in accordance with the Fund's funding policy as set out in its FSS. Contributions have the aim of achieving full funding within an appropriate time horizon and with an appropriate likelihood of success.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2019 valuation report.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date; and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2019 valuation were as follows:

Financial assumptions	31 March 2019
Discount rate	4.2%
Salary increase assumption	3.2%
Benefit increase assumption (CPI)	2.3%

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's Vita Curves with improvements in line with the CMI 2018 model, an allowance for smoothing of recent mortality experience and a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	22.1 years	24.3 years
Future Pensioners*	22.9 years	25.7 years

*Aged 45 at the 2019 Valuation.

Copies of the 2019 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund.

Experience over the period since 31 March 2019

Markets were severely disrupted by COVID 19 in March 2020, but in the 2020/21 year they recovered strongly. As a result, the funding level of the Fund as at 31 March 2021 is likely to be an improvement to that reported at the previous formal valuation.

The next actuarial valuation will be carried out as at 31 March 2022. The Funding Strategy Statement will also be reviewed at that time.

Gemma Sefton FFA

For and on behalf of Hymans Robertson LLP

4 May 2021

Hymans Robertson LLP

20 Waterloo Street, Glasgow, G2 6DB

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Note 25: Actuarial present value of future retirement benefits

CIPFA's Code of Practice on Local Authority Accounting 2020/21 requires Administering Authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. I have been instructed by the Administering Authority to provide the necessary information for the Surrey Pension Fund ("the Fund").

The actuarial present value of promised retirement benefits is to be calculated similarly to the Defined Benefit Obligation under IAS19. There are three options for its disclosure in the pension fund accounts:

- showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit;
- as a note to the accounts; or
- by reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Fund's funding assumptions.

Present value of promised retirement benefits

Year ended	31/03/2021	31/03/2020
Active members (£m)	3,466	2,265
Deferred members (£m)	2,169	1,576
Pensioners (£m)	2,381	2,205
	8,016	**6,046**

The promised retirement benefits at 31 March 2021 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2019. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

The figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, I have not made any allowance for unfunded benefits.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the pension fund accounts. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2021 and 31 March 2020. I estimate that the impact of the change in financial assumptions to 31 March 2021 is to increase the actuarial present value by £1,627m. I estimate that the impact of the change in demographic and longevity assumptions is to increase the actuarial present value by £93m.

Financial assumptions

Year ended (% p.a.)	31 March 2021	31 March 2020
Pension Increase Rate	2.85%	1.90%
Salary Increase Rate	3.75%	2.80%
Discount Rate	2.00%	2.30%

Longevity assumptions

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2020 model, with a 0% weighting of 2020 data, standard smoothing (Sk7), initial adjustment of 0.5% and a long term rate of improvement of 1.5% p.a.. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	22.3 Years	24.7 Years
Future pensioners (assumed to be aged 45 at the latest formal valuation)	23.4 Years	26.4 Years

Please note that the longevity assumptions have changed since the previous IAS26 disclosure for the Fund.

Commutation assumptions

An allowance is included for future retirements to elect to take 25% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 63% of the maximum tax-free cash for post-April 2008 service.

Sensitivity Analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:

Sensitivity to the assumptions for the year ended 31 March2021	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.5% p.a. increase in the Pension Increase Rate	9%	747
0.5% p.a. increase in the Salary Increase Rate	1%	61
0.5% p.a. decrease in the Real Discount Rate	10%	824

The principal demographic assumption is the longevity assumption. For sensitivity purposes, I estimate that a 1 year increase in life expectancy would approximately increase the liabilities by around 3-5%.

Professional notes

This paper accompanies my covering report titled ‘Actuarial Valuation as at 31 March 2021 for accounting purposes’. The covering report identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Anne Cranston AFA (For and on behalf of Hymans Robertson LLP)   4 May 2021

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Note 26: Additional Voluntary Contributions

Market Value 2019/20 £000	Position	Market Value 2020/21 £000
13,548	Prudential	TBC
13,548		**TBC**

Additional Voluntary Contributions, net of returned payments, of £2.1million were paid directly to Prudential during 2019/20 (£2.6million during 2018/19).

Note 27: Investment Strategy Statement

Full details of the fund's investment policy are documented in the Investment Strategy Statement. This is published in the pension fund's full annual report and on the Surrey Pension Fund website.

Note 28: Annual report

The Surrey Pension Fund Annual Report 2020/2021 provides further details on the management, investment performance and governance of the Fund.

Accruals
An accounting concept that recognises income when it is earned and expenditure when it is incurred, and not when cash is transferred. The inclusion of debtors, creditors and depreciation are examples of accruals.

Amortisation
The process of writing down the value of an intangible asset over time in order to spread the cost of the asset over the period of its useful economic life.

Assets held for sale
Properties that are being actively marketed and sale is expected in the next 12 months.

Assets under construction
Assets not yet ready for use. This could be new building works or road construction.

Balances
Balances are maintained for future years' budgets and to provide a cushion against expenditure being higher or income lower than expected. Contributions to balances can either be a planned contribution from the revenue budget or a transfer of any revenue surplus at the year-end. The maintenance of an appropriate level of balances is a fundamental part of prudent financial management.

Business Rates
See Non-Domestic Rates (NDR).

Capital expenditure
Expenditure on the acquisition or enhancement of a non-current asset. The cost of maintaining an asset at its current value is revenue expenditure.

Capital adjustment account
A balance sheet item, unique to local authority accounting, that is central to the capital accounting regime. The balance on the account cannot be used, but reflects the extent to which, to date, capital funding of assets has preceded depreciation of those assets.

Capital financing requirement
This represents the Council's underlying need to borrow for capital purposes. The year on year change will be influenced by capital expenditure in each year.

Capital receipts
Proceeds from the sale of non-current assets. The council earmarks capital receipts to finance future capital expenditure, except when they are utilised under the capital receipt flexibilities to fund transformation expenditure.

Chartered Institute of Public Finance and Accountancy (CIPFA)
The professional accountancy institute that sets the standards for the public sector. CIPFA publishes the accounting codes of practice for local government.

The Code of Practice on Local Authority Accounting (The Code)
The Code specifies the principles and practices of accounting required to prepare a Statement of Accounts which gives a true and fair view of the financial position and transactions of a local authority. It is based on International Financial Reporting Standards (IFRS), and has been developed by CIPFA/LASAAC under the oversight of the Financial Reporting Advisory Board.

Community assets
Assets that the local authority intends to hold in perpetuity which have no determinable useful life and which may have restrictions on their disposal. Examples include the countryside estate and historic assets that are not used in service delivery.

Contingent Assets / Liabilities
Possible assets / liabilities, which may arise in the future if certain events, not wholly within the control of the authority, take place. Contingent assets / liabilities are not recognised in the accounts but are disclosed by way of a note if it is probable that an inflow / outflow of economic benefits will occur.

Creditors
Money owed by the Council that is due immediately or in the short term. Creditors are an example of the concept of accruals.

Current service cost (pensions)
The increase in the present value of local government and firefighters' pension scheme's liabilities expected to arise from employee service in the current period.

Curtailment costs (pensions)
For a defined benefit scheme (such as LGPS and firefighters') an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service.

Debtors
Money that is due to the Council but which has not yet been received. Debtors are an example of the concept of accruals.

Defined benefit scheme (pensions)
A pension or other retirement benefit scheme that defines the employees benefits and is independent of contributions and investment performance. Defined benefit schemes may be funded (local government pension scheme) or un-funded (firefighters' pension scheme).

Depreciation
A charge to the revenue account to reflect the consumption or use of a tangible non-current asset in service delivery. There is a corresponding reduction in the value of the non-current asset.

Discounting
The process of determining the present value of a payment or a stream of payments that is to be received in the future. Given the time value of money, a pound is worth more today than it would be worth tomorrow given its capacity to earn interest. Discounting is the method used to figure out how much these future payments are worth today.

Fair value
Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction.

Financial instruments
Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.

Financial year
The year of account, which runs from 1 April to 31 March.

Government grants
Financial assistance from central government, or its agents, in the form of cash transfers, often in return for compliance with certain conditions. These grants may be capital or revenue in nature.

Historic cost
The estimated value of an asset on the balance sheet based upon its original purchase cost less depreciation to date.

Impairment loss
The reduction in an asset's value due to physical deterioration or other factors beyond usual wear and tear.

Infrastructure assets
Non-current assets that cannot be taken away or transferred and from which benefit can only be derived through continued use. Examples of infrastructure assets are roads, bridges and footpaths.

Intangible assets
Intangible assets yield benefits to the Council for more than one year but are without physical form. For example software licences and the development of website technology. Intangible assets are recorded at cost and amortised over their estimated useful economic life.

Interest cost (pensions)
For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

Investment properties
Any property (land or buildings) held solely for rental income or for capital appreciation or both. Investment properties are not used to support the strategy or service obligations of the local authority.

Leasing
This facility is a means to obtain the use of vehicles, plant and computer equipment without physically owning these items. Leases may be either operational, where the asset reverts to the lessor at contract end; or finance leases, where the assets passes to the lessee.

Lessee
A party to a lease agreement who makes payment to use an asset owned by another party.

Lessor
A party to a lease agreement who receives payment, from another party, for the use of an asset which they own.

Material
Information is said to be material if its omission or misstatement could influence the decisions users take on the basis of the financial statements. Materiality therefore relates to the importance or significance of an amount, transaction, or discrepancy. The assessment of what is material is a matter of professional judgment; the size and nature of the item under consideration must be taken into account in making this judgement.

M**inimum revenue provision (MRP)**
A statutory provision to set aside for the repayment of external debt, equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance.

Net current replacement cost
A method of valuation that estimates the cost of replacing or recreating an asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

Net realisable value
A method of valuation that estimates the open market value of an asset in its existing use (or open market value in the case of non-operational asset), less the expenses required realising the asset.

Non-Domestic Rates (NDR)
The rates paid by businesses. The amount paid is based on the rateable value of the premises they occupy (set by the Inland Revenue) multiplied by a national rate in the pound set by the government. The rates are collected by local authorities and paid over to the government. They are then redistributed to local authorities on the basis of the relevant population. Under the Business Rates Retention Scheme, locally collected business rates are shared between local and central government.

Past service cost (pensions)
For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Precept
An amount levied on another public body in respect of the Council tax. The county council collects its council tax share from district councils through a precept, and pays the Environment Agency for land drainage.

Provisions
Amounts set aside for any liabilities or losses that are likely to be incurred, but which are uncertain as to the amounts or the dates on which they will arise.

Prudential Code for Capital Finance in Local Authorities
The Prudential Code is a professional code of practice that supports local authorities in taking capital investment decisions. The code requires local authorities to set their own borrowing limits based upon affordability, sustainability and prudence.

Public Works Loan Board
A government agency providing long term loans to Local Authorities to finance part of their Capital Expenditure.

Reserves
These are amounts set aside for specific purposes. The council has discretion on whether it wishes to set aside these amounts as distinct from sums set aside in provisions. Movements on reserves are therefore charged or credited to the revenue account after the net cost of service provision has been determined. Revenue reserves are classified as earmarked reserves or as unallocated reserves or balances.

Revenue expenditure
Expenditure incurred on day to day running costs and confined to accounts within one financial year.

Revenue Expenditure Funded by Capital under Statute (REFCUS)
REFCUS is capital expenditure which does not give rise to an asset owned by the Council. Examples include capital expenditure on foundation and voluntary aided schools.

Revenue Support Grant (RSG)
This grant is non-specific and is based upon the government's assessment of how much a local authority should spend to provide a common level of service.

Soft Loans
Loans made by the authority at less than the prevailing market rate of interest.

Useful life
The period over which the Council will benefit from the use of a non-current asset.