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Surrey County Council

Statement of Accounts

2023/24

Version: 4th July 2024

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Needs to be drafted by EY

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The Council has worked diligently over recent years to improve its financial resilience, ensuring a stronger financial base from which to deliver services and putting in place robust financial management arrangements. We have reduced our financial risk, delivered service improvement, ambitious capital investment and transformation programmes and built back depleted reserves. Establishing this solid base is a key achievement because it means we have been able to focus on delivering the Council priorities for our residents, without being distracted by threats to our own organisational financial stability.

Despite this strong position, the 2023/24 financial year featured some of the most severe pressures faced for many years. Public services are under significant strain, with ongoing funding uncertainty, further compounded by increased demands for vital services and the highest inflation in four decades. Price and demand pressures specifically in Home to School Travel Assistance, Adults Social Care and Children's Social Care Placements all contributed to a budget overspend being forecast for the majority of the financial year. The use of the council's risk contingency budget early in the financial year, reflects this challenging environment.

The Council ended the 2023/24 year with a £2.8m overspend (less than 0.3% of the net revenue budget), after the utilisation of the £20m risk contingency budget, the was covered by a draw-down from the Budget Equalisation Reserve, to mitigate the impact on the General Fund. The requirement to utilise the contingency for a second year in succession and the need to draw on reserves to balance the year-end position for the first time since 2017/18, reflects the challenging financial environment experienced throughout the year and the ongoing requirement for increased focus on financial management to protect service delivery.

The medium-term financial and economic outlook beyond 2024/25 remains uncertain and the challenges are set to continue. With no clarity on central government funding in the medium term, and changes to the political landscape, our working assumption is that financial resources will continue to be constrained, as they have been for the majority of the past decade. This places an onus on the Council to continue to consider issues of financial sustainability as a priority, in order to ensure the stable provision of services in the medium term.

While we will continue to have conversations with Government around what we feel is fair and necessary for Surrey, we must look to the future and prepare properly for these anticipated budget impacts. The Council's Transformation Programme is ongoing and continually refreshed, to maximise every opportunity to deliver better services to our residents, in the most effective and efficient way possible. In addition, the council has implemented a number of cost controls to ensure the effective use of financial resources.

We are however in a fortunate position to have a robust financial platform to build on having taken difficult decisions in the past which has afforded us the opportunity to have options. With an ever-challenging outlook we need to maintain a persistent focus on both transformation and improved service delivery.

I am confident we can continue on our path to financial sustainability, taking those difficult decisions and having conversations around trade-offs. We are an ambitious council and want to do it all but know we have to make the best decisions with what we have, for our residents.

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Our focus will continue to be on protecting vital services with an ongoing need to be forward looking as well as delivering the efficiencies required to achieve a balanced budget position each year. The Council will need to demonstrate the same diligence and commitment to strong financial management in the years to come to ensure that the Council's finances are an enabler of our mission to ensure that 'No One Left Behind.'

Anna D'Alessandro, Director of Finance, Corporate & Commercial and Interim s151 Officer.

Surrey County Council

EXECUTIVE SUMMARY & NARRATIVE REPORT

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

Surrey has a population of 1.20million people and an economy worth £43.5 billion. The population are largely healthy, active and have a long life expectancy. The county is affluent but with pockets of social deprivation. There are significant inequalities in healthy life expectancy.

Organisational Strategy

This Council is determined that the Community Vision for Surrey 2030 continues to be delivered to ensure the county is a uniquely special place where everyone has a great start to life, people live healthy and fulfilling lives, are enabled to achieve their full potential and contribute to their community, and where no one is left behind.

Our Organisation Strategy sets out our contribution to the 2030 Vision. Within it, the Council's four priority objectives and guiding principle that no one is left behind remain the central areas of focus as we deliver high-quality and sustainable services for all.

1. Growing a sustainable economy so everyone can benefit
2. Tackling health inequality
3. Enabling a greener future
4. Empowering and thriving communities

The Council's purpose and approach to improving the lives of residents across the four priority objectives, as well as ensuring that no one is left behind, is set out in The Surrey Way.

Financial Performance - Revenue

The final outturn for the year was an overspend of £2.8m after the utilisation of the risk ocontingency budget, this represents a less than 0.3% variance to budget. A drawdown from the Budget Equalisation Reserve was approved to mitigate the impact on the General Fund Balance.

Financial Performance - Capital

The final capital programme budget for 2023/24 was £278.2m, after a re-set at month five to take into account carry forwards, acceleration, known delays and in-year approvals and to provide a stable baseline for the remainder of the year after analysis of deliverability carried out by the Strategic Capital Groups (SCG's). Capital spend for the year against this budget is £293.1m, which represents delivery of 94.6% of the re-set plan in year.

Strategic Risks

Key risks are actively monitored and are grouped in the strategic risk register against 4 areas of financial resilience, organisational resilience, ways we work and social care. The most significant risks are actively monitored by the Corporate Leadership Team.

ABOUT THE COUNTY

9 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.

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.

Population: Surrey has a population of approximately 1.2 million. 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 grow to 1.21 million, with the proportion of working age residents (16-64 year olds) and of younger people expected to decrease while there are expected to be more residents aged over 65, and a 29% increase in the number of over 85s.

Health and Wellbeing: The county is affluent but with pockets of social deprivation. There are significant inequalities in healthy life expectancy. Between wards there is a 10-year gap in life expectancy for males (76 – 86) and a 14-year gap for females (80 – 94).. 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. In Surrey, average ratings of well-being have deteriorated across all indicators in the year ending March 2021, continuing a trend that was seen across most indicators in the previous period, but even more sharply and which notably takes place during the COVID-19 pandemic. This is most profoundly observed with declining mental health across the population.

Economy: Surrey's economy is strong and worth approximately £43.5 billion with a high (and increasing) proportion of large business. This grew by 24% between 2010 and 2018 - in line with economic growth in the South of England. Surrey's unemployment rate (2.0% in 2023) has been lower than the average for the UK (Latest figures - 4.3%), including youth unemployment which is below regional and national averages.

Education and Skills: Surrey's population is highly qualified with over 50% of the working age population holding a degree-level qualification with over 22% of residents employed in professional, technical and scientific businesses. At school in the first public exams following the pandemic, 58.1% achieved a strong pass in English and Maths, compared to 50.0% nationally and 52.1% 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, with more than 8.6 billion vehicle miles travelled annually before the pandemic. 2021 saw a significant decrease of about one-fifth in average traffic flow compared to pre pandemic levels; in 2022 journeys picked up again to 7.4 billion vehicle miles. Surrey's air quality is better than the national average, with a score of 26.1 compared to 26.8 nationally (on an aggregate index compiled by the University of Liverpool and the Consumer Data Research Centre). Residents have good access to open 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 only 15% of this heading for landfill in 2022/23, and 54.4% sent for reuse, recycling or composting. The amount of household waste used for energy recovery in 2022/23 was 25.8%

Housing: Housing in Surrey is increasingly expensive, with an average median property price of £510,000 (March 2023) but this varies considerably across districts (ranging between £449,000 - £665,000). 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. Homelessness is increasing in Surrey too. In 2021/22, 1,912 households were owed a prevention duty (assessed as threatened with homelessness), and 1,366 households were owed a relief duty (assessed as homeless).

Crime: Surrey is one of the safest places in England and Wales, with the 6th lowest recorded crime rate of the 43 police forces, and lower than average rates of victim-based crime. In 2022, there were 60 recorded offences per 1,000 population – the third lowest rate of any Police Force Area in England and Wales. Of 23 sub-categories of Police recorded crime, in 2022 Surrey's rate per 1,000 population was the absolute lowest for any Police Force Area in England and Wales for homicide, violence with injury, sexual offences, shoplifting, and criminal damage / arson.

THE SURREY WAY: A HIGH PERFORMING COUNCIL, ENSURING THAT NO ONE IS LEFT BEHIND

The Community Vision for Surrey 2030, which was created with residents, communities and partners on behalf of the whole county, sets out how we all want Surrey to be by 2030. Together, we are all

working to deliver a uniquely special place where everyone has a great start to life, people live healthy and fulfilling lives, are enabled to achieve their full potential and contribute to their community, and where *no one is left behind*. The Council plays a big part in the joint effort to realise this vision.

Our purpose as a council is to tackle inequality and make sure that no one is left behind; reinforcing the aims of the Community Vision for Surrey 2030. It is our responsibility as a council to support those in need and deliver everyday improvements to residents in all walks of life.

We focus on a small number of organisational priorities that will let us create the conditions for Surrey to thrive. Our Organisation Strategy (2021-26), sets out four priority objectives which reflect where we think we can have the greatest impact on tackling inequality and improving outcomes for people living and working in the county:

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Our main duty as a council is to deliver high-quality services, and these services are the building blocks for meeting our four priority objectives. Core services aim to support people to live independently and well in their communities, ensure children and families reach their full potential, protect Surrey's residents and businesses, and take care of Surrey's environment and highways.

We also want to go beyond what we're required to do, to be a truly outstanding council. We are playing a wider strategic role in ensuring Surrey is ready to engage the big challenges and opportunities now and in the future. By working collaboratively across the county to mobilise around these key emergent issues, the lives of Surrey residents are improved, demand on services is reduced, and better outcomes and opportunities for Surrey residents are achieved.

To achieve excellence in services and ensure Surrey can meet our priority objectives, we are transforming how our organisation operates and the culture and behaviours our people embody. Outcomes within this transformation will enable us to plan our activities and measure progress in each of the four priority objectives. Progress here will help the council become more resilient, add more value, make greater impact, and reduce demand on services as residents become more empowered and resilient.

In order to achieve our purpose, this transformation around how **Our Organisation** operates has four design principles which guide us:

OUR ORGANISATION

- We organise ourselves around outcomes and make it easy for others across Surrey to collaborate with us.
- We help people and communities to help themselves and devolve decisions and service design as close to them as we can.
- We maximise the potential of digital and data to transform the way we work and improve accessibility.
- We seek out preventative, commercial and efficient approaches to help us be financially sustainable.

To support our purpose, the transformation around the culture and behaviours **Our People** embody also has four commitments about how we work:

OUR PEOPLE

- An inclusive and compassionate place where we value diversity and can be ourselves at work.
- A collaborative and inviting place where we are open, trust each other, and work as one.
- An ambitious and outcomes-focused place where we are passionate about our purpose and take accountability for delivering great results.
- An inventive and dynamic place where we promote a learning mindset and adapt to new insights and opportunities.

THE COUNCIL'S PERFORMANCE ACHIEVEMENTS 2023/24

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 some of the activites, achievements and improvements that are beginning to make a positive impact on Surrey - the people and the place:

Service Delivery:

- Our **Children's Social Care performance is improving** – upgraded rating in 2022 of 'requires improvement to be good.'
- Ofsted Joint Targeted Area Inspection of **Early Help services** – we're moving in the right direction
- **Surrey Adult Learning** – good (2022) & **Youth Offending Service** – good (2022)
- **Surrey Health & Wellbeing Strategy** in place and tracked
- **Joint Strategic Needs Assessment** (JSNA) refresh on schedule
- **On-demand bus service** launched and expanded with positive feedback
- Surrey Link card introduced – **half price bus travel** for young people
- Access improvements across **countryside** estate
- Biggest **EV charger** contract in Europe
- **Highways defects** responded to on time exceeding target
- **Community Link Officers** - engaged in total 9,668 residents in person since our new approach began (increase of over 100%)
- **Your Fund Surrey** 35 community-led projects awarded £17m, and over £1m allocated to 119 smaller community projects
- Second largest **library service** in the country, with over 250,000 visits
- HMICFRS noted **Surrey Fire & Rescue Service** progress is 'moving in the right direction' - with notable improvements in culture
- Progressing with plans for **new fire stations** – Reigate, Chobham and Lingfield

Investment

The capital progargramme is **investing in Surrey's future**. We are investing responsibly in schemes that will improve the lives of Surrey residents long into the future, generate income or savings in the medium-term and provide the infrastructure to make our services sustainable.

Right Homes, Right Support - Our **Accommodation with Care and Support Strategy** aims to support residents to live independently in the 'right homes with the right support'. In total, we have an

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ambition to deliver more than 1,400 units of specialist accommodation across Surrey. This includes delivering a minimum of 725 units of affordable **extra care housing** for older people. We already have firm plans in place to deliver around 350 units and have secured full planning approval at one site and outline planning approval at a further two sites.

We also plan to reduce the number of people in residential care with learning disabilities and/or autism by 40 to 50%, including through delivering 50 units of **supported independent living** at four county council-owned sites across Surrey. We also have a target to deliver 185 to 210 units of supported independent living for people with mental health needs.

SEND School Extension

A new Secondary and Further Education facility at Freemantles School in Woking was completed in October 2023. This has expanded the school's accommodation by a total of 72 additional places for children with complex social communication needs.

Skills and the regional economy

Promoting a **sustainable economy** for the benefit of all is one of SCC's four corporate priorities

- Working collaboratively with businesses and training providers to provide opportunities
- Focus on priority cluster sectors demonstrate innovation and growth

Main achievements have been:

- Centre for Doctoral Training in AI at Uni of Surrey & Royal Holloway
- SCC lead partner in CoStar national hub at Pinewood
- Funding for GAIN project to enhance games industry in Guildford and whole of Surrey
- **Festival of Skills** – promoting opportunities to young people. 1,300 aged 14 to 18 and 80 exhibitors attended the one-day event In November with planning for further event in 2024 underway.
- **Surrey Careers Hub** – connecting businesses with schools and colleges
- **Inspire Surrey** – promoting careers in digital and cyber to all. Delivered in collaboration with Surrey's world-leading cyber and digital sector with events promoting opportunities to young people, working mums, career changers & teachers
- **Skills Bootcamps** – free courses to tackle local skills gaps

Towns and Villages Approach

29 towns and villages have been identified as being recognised and meaningful to residents, communities and businesses. These are used as crucial focal points for **enhanced partnership work**, to address the unique priorities in localities, including reducing health inequalities. Partners **work with residents** to identify what matters to them in their local area and work together to deliver on it. Towns sit alongside spatial scales, including key neighbourhoods (the smaller scales where health inequalities are starkest). Work to date has focussed on 10 towns and we will now **extend this model of enhanced coordination to all areas**, aligned with health and care integration and development of teams around communities.

FINANCIAL PERFORMANCE

The final outturn for the year was an overspend of £2.8m (less than 0.3% variance to budget), after the use of the crisk contingency budget. A drawdown from the Budget Equalisation Reserve was approved to mitigate the impact of the overspend on the General Fund Balance. Further detail on the outturn position and the delivery of efficiencies in year is set out in the 2023/24 Outturn Financial Report to Cabinet in June. 9

The final figure in the Comprehensive Income & Expenditure Statement (CIES) for the Provision of Serivices for the year is a deficit of £186m. The difference between the outturn position and the CIES relates to the need to ensure the CIES is compliant with International Financial Reporting Standards. There are a number of accounting adjustments for capital, pensions and reserves that lead to a deficit of £186m (deficit of £102m 2022/23) in the CIES. These adjustments are technical in nature and do not affect the funding available to deliver services.

We have continued to maintain the grip on our finances and risks. The small overspend outturn position reflects the extraordinary circumstances the Council has been operating in over the course of the financial year. The Council continues to ensure that financial management is taken seriously and has implemented a number of additional cost control mechanisms to ensure the effective use of financial resources and the continued delivery of organisational priorities.

The medium-term outlook remains challenging with a continuation of significant budgetary pressures and significnat uncertainty over future funing levels. The Medium Term Financial Strategy considered by Council in February 2024 forecast a budget gap of c£270m by 2028/29.

Addressing future challenges

Each year the Council provides a contingency in the base budget to allow it to contain a reasonable level of unexpected financial pressures, and to provide against any slippage in delivery of efficiencies. The presence of the contingency allows us to be bolder in our assumptions about delivery across all other budget lines compared to if it did not exist. If the contingency budget is not required in full in any given year, then it first used to ensure a sustainable level of reserves. Maintaining financial resilience in this way is key to weathering future challenges. Once reserves have been restored to a sustaible level, then consideration of the use of contingency to support additional investment opportunities can be considered.

The 2023/24 financial year has featured some of the most severe pressures faced for many years. The requirement to utilise the contingency for a second year in succession and the need to draw on reserves to balance the year-end position for the first time since 2017/18, reflects the challenging financial environment. Public services are under significant strain, with ongoing funding uncertainty, further compounded by increased demands for vital services and the high prices impacted by the ongoing high inflation environment.

2023/24 REVENUE SPENDING AND BUDGET PERFORMANCE

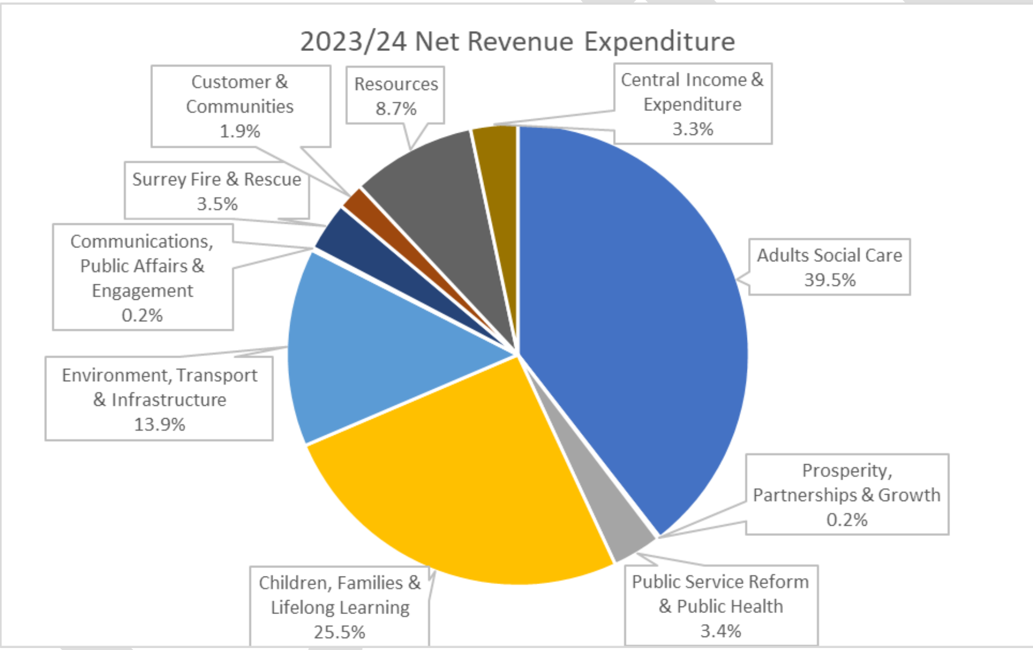
Efficiencies

The Council achieved £53.9m (c78%) of the £69.4m target of efficiencies set out at the beginning of the financial year. In addition, there was £5m of early or over achievement of efficiencies to mitigate some of the impact of those unachieved. Efficiencies are realised as a result of the Council identifying new ways of delivering services to ensure we respond to the changing needs of residents and deliver services as efficiently as possible within available financial resources. The total efficiencies achieved over the last three years amounts to £114m.

Existing service focused approaches have been successful in delivering efficiencies but are becoming more difficult to continue to identify and deliver. The Council have developed a SWITCh (Surrey Way Innovation, Transformation & Change) Programmes to look to identify efficiencies in a more cross-cutting away across the Council. The programme aims to help put the council on a more stable financial footing over the medium term.

Revenue Expenditure and Funding

The chart below shows the Net Revenue Budget outturn position by Directorate for 2023/24, more details can be found in the 2023/24 Outturn Report to Cabinet in June 2024.



The Net Revenue Budget is funded from Council Tax Income, Business Rates and General (unringfenced) Government Grants. In addition, the £2.8m overspend was funded via a draw down from the Budget Equalisation Reserve.

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BALANCE SHEET

The Council holds £2,531m of long-term assets at 31st March 2024 (£2,519m as at 31st March 2023), 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 accrue pension benefits. The pension liability is calculated by an independent actuary, Hymans Robertson. The net Local Government Pension Scheme liability is estimated to be £29m at the balance sheet date (£247m at 31st March 2023; a decrease of £218m). The firefighters pension liability is also included within the Council's Accounts and is estimated to be £447m, (£454m at 31st March 2023; a decrease £7m). 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. Long-term borrowing is £478m (2022/23 £497m). This is a decrease of £19m from 31st March 2023.
- Short-term borrowing, mainly from other Local Authorities, has increased to £340m (2022/23 £174m), as part of the financing strategy for the Council's Capital Programme

Summarised Balance Sheet	**As at 31 March 2023 £m**	**As at 31 March 2024 £m**
Long term assets	2,519	2,531
(Property, Plant Equipment, Investment Properties, Software & Licences, Subsidiary Holdings and Loans)		
Current assets	385	405
(Assets held for Sale, Salt Stock, Debtors, Cash)		
Total assets	2,904	2,936
Offset by:		
Current liabilities	(497)	(669)
(Liabilties due in one year: Borrowing, Creditors, Provisions, Receipts in advance, Lease obligations)		
Long term liabilities	(1,259)	(1,015)
(Liabilties due over one year: Borrowing, Provisions, Lease obligations, Pension liabilities)		
Total liabilities	(1,756)	(1,684)
Makes:		
Surrey County Council assets	1,849	1,727
Local Government and Firefighters Pension Funds liabilties	(701)	(475)
Total net assets	**1,148**	**1,252**

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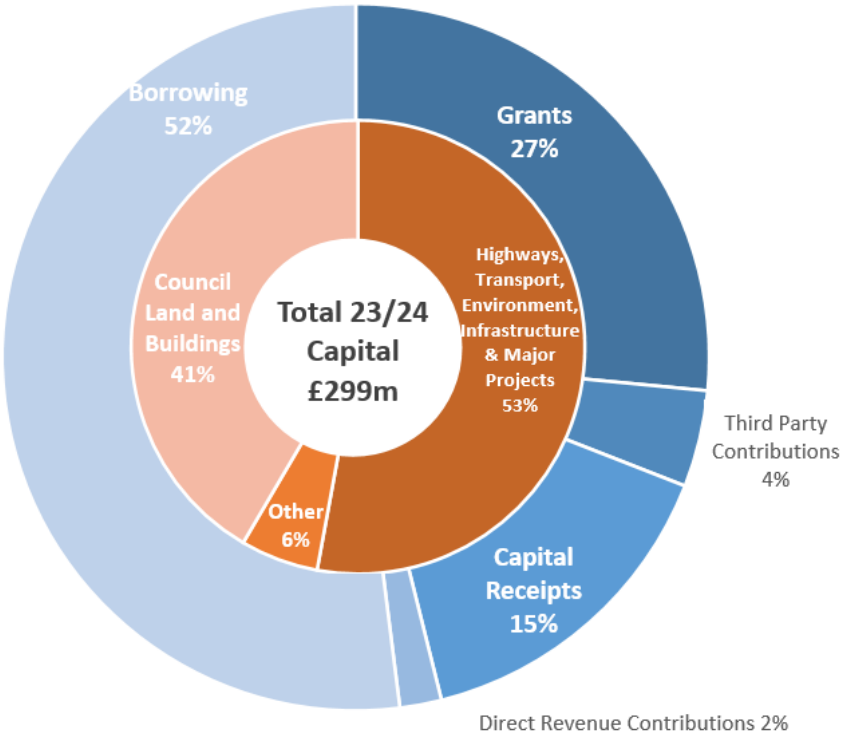
Which funded by:		
Usable reserves (General Fund, & Earmarked reserves)	(750)	(724)
Unusable reserves (Specific accounting treatments for: Pension, Revaluation & other Capital adjustments, Council tax and Business rates adjustments)	(399)	(528)
Total reserves	**(1,149)**	**(1,252)**

CAPITAL

The Council set a capital budget for 2023/24 of £308.7m in February 2023. The budget was reset at month five to £266.7m, taking into account carry forwards, acceleration, known delays and in-year approvals to provide a stable baseline for the remainder of the year after analysis of deliverability carried out by the Strategic Capital Groups (SCG's). Following a year-end adjustment relating to delegated schools' capital budgets, the final budget for the year was £278.2m. Capital spend for the year against this budget is £293.1m, which is a variance to the re-set budget of (5.4%). In addition, a further £4.5m of spend was incurred relating to Your Fund Surrey and £1.1m of spend on existing commercial property.

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



Looking forward

Over recent years the Council's capital ambition and delivery has grown significantly, in recognition of historic under-investment in our assets and in order to improve the condition of the infrastructure in the County. The capital programme is aligned to the Council's corporate priorities and invests in the areas of most importance to our residents.

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Our aspirations remain high and the Capital Programme for 2024/25 – 2028/29 totals £1.3bn and proposes ongoing investment in priority areas such as highways infrastructure, improving the condition of our property estate, creating additional school places including for children with special educational needs and disabilities, the green agenda, transforming our libraries and investing in Adult Social Care accommodation with care and support. There is also £0.6bn in the capital pipeline set aside for schemes in the early stage of development which will move into the approved programme when the finances, benefits and deliverability are adequately demonstrated to the Capital Programme Panel and Cabinet.

TOP 10 BUDGET SCHEMES

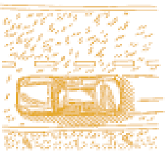
£70m
Highway Maintenance
Improvements to roads and footways across the County.

£19m
Schools Basic Need
Increasing school places and building schools across the County.

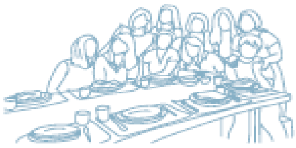
£51m
SEND Strategy
Increasing sufficiency of provision for special education needs and disability in schools across Surrey.

£15m
Recurring Capital Maintenance Corporate (non-schools)
County wide maintenance of service buildings, community facilities and offices.

£35m
A320 North of Woking and Junction 11 of M25
Homes England grant funded road and junction improvements.



£15m
Corporate Parenting Schemes (Care Homes & Care Leavers Accommodation).
Increasing accommodation provision for Looked After Children and Care Leavers across Surrey.



£21m
Supported Independent Living (Learning Disabilities Phase 1).
Empowering communities and tackling health inequalities by providing accommodation for working age adults with support needs.

£14m
Ultra Low Emission Vehicles.
Working with transport providers to introduce ultra low emission vehicles to reduce the carbon footprint of the transport network.

£15m
Local Highways Schemes
provision for locally determined priorities for highways investment.

£15m
Surrey Infrastructure Plan
County wide large infrastructure schemes.

STRATEGIC RISKS FOR UPCOMING YEAR AND GOVERNANCE

Surrey County Council recognises that understanding and managing risks effectively is critical to good decision making and a key component in running of a successful organisation. A risk framework, explaining our approach to risk management, is reviewed annually to take account of current best practice and is assessed by the Audit and Governance Committee.

A strategic risk register is in place to help manage and monitor the most significant risks which continues to be updated as a 'live' document. In addition, risk registers are also in place for each of the Directorates who, in turn, update their risks.

Surrey County Council will continue to assess underlying causes of risks and the overall effect if the risk were to occur. Moreover, risks will be prioritised based on the likelihood of occurrence and their impact on services provided, with mitigating actions taken where necessary.

Our key risks are set out in the table below.

Key strategic risks

Financial Resilience

- Significant gap in the medium-term financial plan
- Adult social care reforms add to the financial pressures for SCC
- Spending more than the Dedicated School Grant on support for High Needs Pupils

Organisational Resilience

- Deliberate and / or targeted cyber attack
- Industrial Action limits capability to deliver some services
- Commissioned service is unable to continue to provide a service
  Unavailability of National 'infrastructure components' or a severe weather event leads to loss of service

Ways we work

- Not able to recruit and retain sufficient numbers of skilled staff
- Not achieving the intended outcomes of our transformation programme
- Not complying with Health & Safety duties
- Insufficient measures implemented to deliver carbon emissions reductions

Social Care

- Resurgence of Covid-19 or other widespread virus
- Cost of Living reducing living standards
- Inability to meet an increasing level of demand for services
- Not delivering sufficiently good quality adult's or children's services

EXPLANATION OF ACCOUNTING STATEMENTS

The Statement of Accounts sets out the Council's income and expenditure for the year, and its financial position at 31st March 2024. 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 2023/24, which in turn is underpinned by International Financial Reporting Standards.

The Core Statements are:

The **Comprehensive Income and Expenditure Statement (CIES)** – 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.

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MATERAL ITEMS & GROUP ACCOUNTS

Details of specific material items of income and expenditure include:

- Government Grant and Council Tax income (note 12)
- The accumulated DSG deficit (£79m in 2023/24, £62m in 2022/23) which has been required to be shown as an unusable reserve since a change in the Code of Practice in 2021/22 (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 adjustment is made in the CIES.

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

- Hendeca Group Limited (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 Property Investments Ltd- a LATC, wholly owned by the Council, to make property investments.
- Halsey Garton Residential Ltd - a LATC, wholly owned by the Council set up for the letting and operating of own or leased rental estate.
- Henrietta Parker Trust – the Council exercises control over this trust fund, the income of which supports adult learning.
- Connect2Surrey – The Council exercise control over this limited company, a temporary recruitment company specilaising in the public sector.

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 Henrietta Parker Trust Fund and Connect2Surrey is not deemed material and therefore has not been incorporated into the group accounts.

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STATEMENT OF RESPONSIBILITIES

9

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 S151 Officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (The Code).

In preparing this Statement of Accounts, the S151 Officer has:

- selected suitable accounting policies and then applied them consistently
- made 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 20 to 135 presents a true and fair view of the financial position of the Council and of its expenditure and income for the year ended 31st March 2023; that the firefighter pension fund accounting statements on pages 136 to 138 give a true and fair view of the financial transactions of the firefighter pension fund during the year ended 31st March 2023; that the statement of accounts on pages 144 to 182 presents a true and fair view of the financial position of the Surrey County Council Pension Fund at 31st March 2023 and its income and expenditure for the year then ended.

Anna D'Alessandro	Victor Lewanski
Director of Finance – Corporate and Commercial (Interim s151 Officer)	Chairman of Audit & Governance Committee

9

Comprehensive Income and Expenditure

Year ended 31 March 2023 Gross Expenditure £000	Income £000	Net Expenditure £000		Year ended 31 March 2024 Gross Expenditure £000	Income £000	Net Expenditure £000
704,678	(339,309)	365,370	Children, Families, & Lifelong Learning	767,151	(371,912)	395,238
367,843	(356,044)	11,799	Delegated Schools	347,719	(347,370)	349
680,339	(215,037)	465,302	Adult Social Care	709,789	(233,218)	476,571
49,133	(52,194)	(3,061)	Public Service Reform	42,509	(46,321)	(3,812)
228,459	(29,166)	199,293	Environment, Transport & Infrastructure	255,324	(24,847)	230,477
66,087	(6,479)	59,608	Community Protection	60,902	(20,732)	40,170
48,802	(15,027)	33,775	Customer & Communities	49,156	(15,813)	33,343
83,972	(60,224)	23,748	Resources	71,961	(520)	71,441
1,673	(90)	1,583	Partnership, Prosperity and Growth	1,864	(189)	1,675
60,341	(67,173)	(6,832)	Central Income & Expenditure	125,548	(106,985)	18,563
2,291,327	**(1,140,743)**	**1,150,584**	Cost of Services – continuing operations	**2,431,922**	**(1,167,907)**	**1,264,015**
29,814	(25,392)	**4,422**	Other Operating Income & Expenditure (note 10)	22,377	(22,085)	**292**
186,424	(89,191)	**97,233**	Financing & Investment Income & Expenditure (note 11)	127,273	(22,411)	**104,862**
	(951,523)	**(951,523)**	Local Taxation (note 12)		(1,009,612)	**(1,009,612)**
	(198,430)	**(198,430)**	General grants & contributions (note 12 and note 31)		(173,432)	**(173,432)**
	(1,149,953)	**(1,149,953)**	Taxation, general grants & contributions		(1,183,044)	**(1,183,044)**
2,507,565	**(2,405,279)**	**102,286**	**(Surplus) or Deficit on Provision of Services**	2,581,572	(2,395,446)	**186,125**
		(124,391)	(Surplus) on revaluation of non-current assets			(33,868)
		(1,315,634)	Remeasurement of the net defined benefit liability			(254,906)
		(1,440,025)	**Other Comprehensive Income & Expenditure**			**(288,774)**
		(1,337,739)	**Total Comprehensive Income & Expenditure**			**(102,649)**

Movement in Reserves Statement

2023/24	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 2023	**(491,542)**	**(35,724)**	**(222,629)**	**(749,895)**	**(399,038)**	**(1,148,932)**
(Surplus) or deficit on provision of services (accounting basis)	186,127			186,127		186,127
Other comprehensive income & expenditure					(288,774)	(288,774)
Total comprehensive income & expenditure	**186,127**	**0**	**0**	**186,127**	**(288,774)**	**(102,647)**
Adjustments between accounting basis & funding basis under regulations (note 8)	(171,543)	25,073	(13,554)	(160,024)	160,024	(0)
Increase/decrease in year	14,584	25,073	(13,554)	26,103	(128,750)	(102,647)
Balance at 31 March 2024	**(476,958)**	**(10,651)**	**(236,183)**	**(723,792)**	**(527,787)**	**(1,251,579)**
2022/23						
Balance at 31 March 2022	(461,259)	(782)	(189,185)	(651,226)	840,034	188,808
(Surplus) or deficit on provision of services (accounting basis)	102,286	0	0	**102,286**	0	**102,286**
Other comprehensive income & expenditure	0	0	0	**0**	**(1,440,025)**	**(1,440,025)**
Total comprehensive income & expenditure	**102,286**	**0**	**0**	**102,286**	**(1,440,025)**	**(1,337,739)**
Adjustments between accounting basis & funding basis under regulations (note 8)	(132,570)	(34,942)	(33,445)	(200,954)	200,954	0
Increase/decrease in year	**(30,284)**	**(34,942)**	**(33,445)**	**(98,668)**	**(1,239,071)**	**(1,337,739)**
Restated* balance at 31 March 2023	**(491,542)**	**(35,724)**	**(222,629)**	**(749,895)**	**(399,038)**	**(1,148,932)**

*Restate note - The comparatives for the year to Match 2023 have been restated to correct figures disclosed in the accounts last year. A capital receipt for £18.7m was aligned to capital receipt reserve offset with the general fund. The note now agrees to the appropriate amount for the reserves.

9

Balance Sheet

As at 31.03.2023 £000		Note:	As at 31.03.2024 £000
2,084,656	Property, plant & equipment	13	2,098,842
1,024	Heritage assets		1,024
91,465	Investment property	14	69,143
3,338	Intangible assets	15	23,179
97,036	Long term investments	16	97,036
241,740	Long term debtors	16	241,583
2,519,259	**Long term assets**		**2,530,807**
	Short Term:		
22,286	Assets held for sale	19	33,592
1,182	Inventories		943
254,971	Short term debtors	17	287,184
106,969	Cash & cash equivalents	18	83,599
385,408	**Current assets**		**405,319**
	Short Term:		
(173,810)	Borrowing	16	(339,787)
(293,310)	Creditors	20	(303,818)
(2,651)	Provisions	21	(2,502)
(7,450)	Revenue grants receipts in advance	39	(1,709)
(10)	Capital grants receipts in advance	39	(10)
(19,840)	Other current liabilities	35	(21,479)
(497,071)	**Current liabilities**		**(669,305)**
(11,604)	Provisions	21	(10,309)
(477,762)	Long term borrowing	16	(471,738)
(769,297)	Other long term liabilities	42,43,47	(533,192)
(1,258,663)	**Long term liabilities**		**(1,015,240)**
1,148,932	**Net assets**		**1,251,581**
(749,895)	Usable reserves	8,22	(723,794)
(399,037)	Unusable reserves	23	(527,787)
(1,148,932)	**Total reserves**		**(1,251,581)**

Cash Flow Statement

31st March 2023 £000		Note	31st March 2024 £000
(102,286)	Net (deficit) on the provision of services		(186,126)
295,278	Adjustment to surplus or deficit on the provision of services for noncash movements	40	265,409
(161,084)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	40	(126,172)
31,908	**Net Cash flows from operating activities**		**(46,889)**
(10,747)	**Net Cash flows from investing activities**	41	**(125,824)**
(86,136)	**Net Cash flows from financing activities**	42	**149,343**
(64,975)	**Net increase or decrease in cash and cash equivalents**		**(23,370)**
171,944	Cash and cash equivalents at the beginning of the reporting period		106,969
106,969	Cash and cash equivalents at the end of the reporting period		83,599

The cash flows from operating activities in 2023/24 include interest received of £17.2m (2022/23, £18.3m) and interest paid of £33.8m (2022/23, £29.3m).

9

Note 1: Expenditure and Funding Analysis

2023/24	As reported for resource management in outturn report £000	Adjustments to arrive at the net amount chargeable to the General Fund £000	Net Expenditure Chargeable to the General Fund £000	Adjustments between the funding and accounting basis £000	Net Expenditure in the I&E Account £000
Children, Familes and Lifelong Learning	286,547	43,789	330,336	64,902	395,238
Delegated Schools	0	3,322	3,322	(2,974)	349
Adult Social Care	443,852	27,666	471,518	5,053	476,571
Public Service Reform and Public Health	38,506	(42,553)	(4,048)	236	(3,812)
Environment, Transport and Infrastructure	156,371	10,882	167,254	63,223	230,477
Community Protection	38,772	12,764	51,536	(11,366)	40,170
Customer & Communities	20,955	6,577	27,532	5,811	33,343
Resources	101,444	(99,463)	1,980	69,461	71,441
Prosperity, Partnerships and Growth	1,901	(298)	1,603	71	1,675
Central Income & Expenditure	36,595	11,039	47,634	(29,071)	18,563
	1,124,943	**(26,274)**	**1,098,669**	**165,346**	**1,264,015**
Other Income and expenditure (within Note 10, 11, & 12)	(1,124,943)	40,856	(1,084,087)	6,197	(1,077,889)
(Surplus) or deficit	**0**	**14,582**	**14,582**	**171,544**	**186,125**

2022/23	As reported for resource management in outturn report £000	Adjustments to arrive at the net amount chargeable to the General Fund £000	Net Expenditure Chargeable to the General Fund £000	Adjustments between the funding and accounting basis £000	Net Expenditure in the I&E Account £000
Children, Families, and Lifelong Learning	271,980	52,918	324,898	40,472	365,370
Delegated Schools *	0	2,252	2,252	9,547	11,799
Public Service Reform	36,386	(40,163)	(3,777)	716	(3,061)
Adult Social Care	406,178	45,940	452,118	13,184	465,302
Surrey Fire and Rescue Service	37,512	10,914	48,426	11,182	59,608
Environment, Transport and Infrastructure	138,703	13,730	152,433	46,860	199,293
Resources	124,300	(128,121)	(3,821)	61,344	57,523

2022/23 (Cont)

	As reported for resource management in outturn report £000	Adjustments to arrive at the net amount chargeable to the General Fund £000	Net Expenditure Chargeable to the General Fund £000	Adjustments between the funding and accounting basis £000	Net Expenditure in the I&E Account £000
Partnership, Prosperity and Growth	1,485	(51)	1,434	149	1,583
Central Income & Expenditure **	151,146	2,702	153,848	(160,680)	(6,832)
	1,167,690	(39,880)	1,127,810	22,774	1,150,584
Other Income and Expenditure	(1,168,343)	28,998	(1,139,345)	91,047	(1,048,298)
Surplus (-) or deficit	(653)	(10,882)	(11,535)	113,821	102,286

9

General fund balance (including earmarked) reserves reconciliation

2022/23 (Restated)*** £000		2023/24 £000
461,258	Opening general fund balance (including earmarked reserves)	491,542
30,284	(Surplus)/Deficit on general fund	(14,584)
491,542	**Closing general fund balance (including earmarked reserves)**	**(476,958)**

*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.

*** Restate note - The comparatives for the year to March 2023 have been restated to correct figures disclosed in the accounts last year. A capital receipt for £18.7m was aligned to capital receipt reserve offset with the general fund. The note now agrees to the appropriate amount for the 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
2023/24	£000	£000	£000	£000
Children, Families, and Lifelong learning	43,228	3,881	17,793	64,902
Delegated Schools	125	(3,099)	0	(2,974)
Public Service Reform	1,007	4,029	17	5,053
Adult Social Care	0	234	2	236
Environment, Transport and Infrastructure	61,349	1,831	43	63,223
Community Protection	2,541	(13,944)	38	(11,366)
Customer & Communities	4,510	1,250	50	5,811
Resources	66,559	2,782	119	69,461
Partnership, Prosperity and Growth	0	71	0	71
Central Income & Expenditure	(28,006)	(1,065)	0	(29,071)
Net Cost of Service	151,313	(4,029)	18,063	165,346
Other Income and Expenditure	(27,553)	33,732	18	6,197
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure surplus or deficit	123,760	29,703	18,081	171,544

2022/23	£000	£000	£000	£000
Children, Families, Learning and Culture	24,416	16,056	0	40,473
Delegated Schools	493	9,054	0	9,547
Public Health	0	716	0	716
Adult Social Care	(180)	13,364	0	13,184
Community Protection	1,998	9,184	0	11,181
Transport & Environment	39,609	5,047	2,204	46,860
Resources	45,000	16,344	0	61,344
Transformation, Partnership & Prosperity	0	149	0	149
Central Income & Expenditure	(114,466)	(40,456)	(5,758)	(160,680)
Net Cost of Service	(3,130)	29,458	(3,554)	22,773
Other Income and Expenditure	8,215	99,608	(16,776)	91,047
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure surplus or deficit	**5,085**	**129,066**	**(20,330)**	**113,821**

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. 9

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.

2022/23 £'000	Service	2023/24 £'000
(8,728)	Children, Families and Lifelong Learning	(12,563)
(26,479)	Delegated Schools	(26,973)
(85,216)	Adult Social Care	(93,337)
0	Public Service Reform and Public Health	0
(10,642)	Environment, Transport and Infrastructure	(11,311)
(2,803)	Community Protection	(2,795)
	Customer & Communities	(6,010)
(4,751)	Resources	(150)
0	Prosperity, Partnerships and Growth	0
0	Central Income & Expenditure	0
(138,620)	**Total**	(153,138)
(21,764)	Other Income (within Note 10, 11, & 12)	(21,686)
(160,384)	**Total Income**	(174,824)

Note 2: Income and expenditure analysed by nature

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

2022/23 £000		2023/24 £000
	Expenditure	
589,574	Employee benefits expenses	673,176
167,830	Staff expenditure at Voluntary Aided and Foundation schools	137,710
123,761	Depreciation, amortisation and impairment	126,750
12,391	Loss in fair value of investment properties	(22,948)
25,201	Derecognition of non- current assets	58,453
6,454	Loss on disposal of non-current assets	0
1,433,615	Other service expenses	1,540,241
147,417	Interest payments	66,999
1,322	Precepts and levies	1,191
2,507,565	**Total expenditure**	**2,581,572**
	Income	
(1,019,487)	Government grants and contributions	(173,432)
(346,193)	Fees, charges and other service income	(1,196,717)
(3,658)	Gains on disposal of non-current assets	0
0	Gains in fair value of investment properties	1,507
(951,523)	Income from council tax, non-domestic rates, district rate income	(1,009,612)
(84,418)	Interest and investment income	(17,193)
(2,405,279)	**Total income**	(2,395,446)
102,286	Deficit on the provision of services	**186,125**

Note 3. Accounting policies

a. i. General principles

The statement of accounts summarises the Council's transactions for the 2023/24 financial year and its position at the year ending 31 March 2024. 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 2023/24 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.

b. 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
9 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.

c. 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.

d. 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.

9

e. 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 Department for Levelling Up, Housing and Communities.

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.

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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 4.8%.

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.

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

9 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.

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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 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.

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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 control or significant 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 control over Hendeca Group Limited (formerly S.E. Business Services Limited), Surrey Choices Limited, Halsey Garton Property Limited and Halsey Garton Residential Ltd as these are all Local Authority Trading Companies wholly owned by the council. In 2022/23 group accounts have been produced due to material balances held by subsidiary companies. The Council has determined it exerts control over Connect2Surrey however groups accounts have not been consolidated on the basis of an immaterial balance. 9

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. Integrated care boards (ICBs) replaced clinical commissioning groups in the NHS in Englanfd from 1 July 2022.

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 2023/24 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 50%, 28% and 22% 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 2024 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.

9

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.

Highways Network Infrastructure Assets:

Highways network infrastructure assets include carriageways, footways and cycle tracks, structures (eg bridges), street lighting, street furniture (eg illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network.

Recognition:

Expenditure on the acquisition or replacement of components of the network is capitalised on an accrual basis, provided that it is probable that the future economic benefits associated with the item will flow to the Authority and the cost of the item can be measured reliably.

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Measurement:

Highways network infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost - opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April which was deemed at that time to be historical cost.

Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

Depreciation:

Depreciation is provided on the parts of the highways network infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. Depreciation is charged on a straight-line basis.

Annual depreciation is the depreciation amount allocated each year.

Useful lives of the various parts of the highways network are as follows:

1. Minor works – surface treatments and other minor works = 7 years
2. Major works - resurfacing and similar subsequent expenditure = 12 years
3. Street lighting – updating to LED and similar works = 20 years
4. Structural maintenance – on roads / carriageways = 12 years
5. Structural works – bridge strengthening etc. = 40 years

In some cases, for specific projects, we will create a separate asset and apply the useful life recommended by the project manager of the project.

Disposals and derecognition:

When a component of the Network is disposed of or decommissioned, the carrying amount of the component in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal).

The written-off amounts 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 transferred to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Where a part of the network is replaced, an adaptation provided in a separate update to the Code assumes that from the introduction of the IFRS based Code when parts of an asset are replaced or restored the carrying amount of the derecognised part will be zero because parts of infrastructure assets are rarely replaced before the part has been fully consumed

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. 9

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.

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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 His 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 16 Leases:** This standard will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2024. It is too early to give an accurate estimate but this is likely to have a material impact on the council's balance sheet.
- **Definition of Accounting Estimates (Amendments to IAS 8)**
- **Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)**
- **Deferred Tax related to Assets and Liabilities arising from a single transaction (Amendments to IAS 12)**

Note 4: Critical judgements in applying accounting policies

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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
Property, Plant and Equipment	The Council has a policy to revalue its land and buildings at least every 5 years and undertakes an annual review, based on applying percentage movements on revalued assets to the unvalued asset portfolio, to ensure that the carrying amount of assets not revalued in year is not materially different to their current value at the balance sheet date. 0.1% of assets in the balance sheet have not been revalued in the past 5 years. Due to the value, valuation type and prior valuation date of these assets, and the percentage movements on the revalued assets, we are confident that the value of assets not revalued is not materially different to their current value at the balance sheet date.
Impairment and Expected Credit Losses	IFRS 9 Financial Instruments requires certain classes of financial assets to be impaired based on expected credit losses. We annually review the level of expected credit losses and assess the material impact. Due to the type of financial assets held by the Council, the risk of impairment is low and would attract minimal losses. Based on this, we are not accounting for impairment losses except for Trade Receivables. Trade Receivables are impaired on a simplified approach.
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 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.

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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 7

The items in the council's Balance Sheet at 31 March 2024 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	Asset valuations are based on estimates and assumptions at a point in time but market conditions can fluctuate. Market prices are periodically reviewed to ensure that the Council does not materially misstate its non-current assets.	The Council's Property, Plant and Equipment (PPE) are held on a long-term basis and require regular valuation to ensure the Council's financial statements accurately reflect the true worth of its assets. Valuations are undertaken by qualified professionals to provide up to date assessments using accepted valuation bases and methods. However, if assumptions within the methodology do not materialise then there could be a material impact on the value of land and buildings. The council carries out a rolling programme that ensures that all Land and Buildings required to be measured at current value is revalued at least every five years. A movement of 1% in PPE valuations would result in a change in asset value of £14.3m and a change in depreciation charge c£0.5m in the Comprehensive Income and Expenditure Statement.
Fair value measurements	Surplus and Investment Properties cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), so their fair value is measured using income or market approach valuation techniques. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible unobservable inputs, which require judgement, are used to establish fair values. The significant unobservable inputs used in the fair value measurement include assumptions regarding passing rents and yields, estimated sale values, revenue streams and discount rates.	Sizable changes in any of the unobservable inputs would result in a significant lower or higher fair value measurement for those assets held at fair value. Investment properties are valued using comparable land values, rent/yield basis of deferred market value. A 1% reduction in market rents or house prices and land values would reduce the Investment Propery Valuations by £0.8m. A 10% reduction in prices and land values would reduce them by £7.5m. Surplus properties are valued using comparable land values, residual site values and rent/yield basis. A 1% reduction in land values would reduce the surplus property valuations by £0.3m. A 10% reduction would reduce them by £2.7m.

	Information about valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities is disclosed in notes 16 and 38.	
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	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 £230m for the LGPS. and £44m for the firefighters' pension fund. Accounting standard IAS19 requires the liabilities to be valued using assumptions based on gilt and corporate bonds yields. Asset performance being better than expected over the year has led to a decrease in pension deficit.

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.

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 a derecognition charge of £58.5m related to the derecognition of academy schools (£25.2m in 2022/23). 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 2023/24, 12 schools transferred to academy status (13 in 2022/23).

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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 2023/24 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.

2023/24

	General Fund and Earmarked Reserves £000	Capital Receipts Reserve £000	Capital grant & contributions unapplied reserve £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)	(29,703)		
DSG Deficit (transferred to DSG Adjustment Account)	(16,890)		
Council tax and business rates (transfers to Collection Fund)	0		
Holiday pay (transferred to the Accumulated Absences Reserve)	(1,190)		
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	(126,750)		
Revaluation loss on property, plant & equipment	(19,653)		
Other movements in valuation on property, plant and equipment:			
Movement on fair value on investment property	(23,043)		
Amortisation of intangible assets	0		
Disposal of academies	(58,453)		
Net gain/(loss) on disposal of investment property	0		
Net gain/(loss) on disposal of financial assets	0		
Revenue expenditure funded from capital under statute	(46,590)		
Deferred Income in respect of PFI schemes	1,264		
PPE Disposal Proceeds	20,215		
Carrying Amount of PPE Disposals	(35,109)		
Capital grants & contributions unapplied credited to the Comprehensive Income & Expenditure Account	105,957		(105,957)
Total Adjustments to the Revenue Resources	**(229,944)**		**(105,957)**
Adjustments between Revenue & Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve		(20,215)	
Transfer from Deferred Capital Receipts Reserve	19,695		
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	32,985		
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	5,721		
Total Adjustments between Revenue & Capital Resources	**58,401**	**(20,215)**	**0**
Adjustments to Capital Resources			
Application of capital grants to finance capital expenditure			92,904
Application of capital receipts to reduce capital financing requirement		45,288	0
Use of Capital Receipts to fund Revenue Expenditure			
Total Adjustments to capital resources	**0**	**45,288**	**92,904**
Total Adjustments	**(171,543)**	**(25,073)**	**(13,554)**

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2022/23

	General Fund and Earmarked Reserves £000	Capital Receipts Reserve £000	Capital grant & contributions unapplied reserve £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)	(129,066)		
DSG Deficit (transferred to DSG Adjustment Account)	0		
Council tax and business rates (transfers to Collection Fund)	20,569		
Holiday pay (transferred to the Accumulated Absences Reserve)	(238)		
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	(107,260)		
Revaluation gain on property, plant & equipment	(12,696)		
Other movements in valuation on property, plant and equipment:			
Movement on fair value on investment property	(12,311)		
Amortisation of intangible assets	(1,225)		
IFRS9 Capital Impairments	0		
Disposal of academies	(14,302)		
Net gain/(loss) on disposal of investment property	0		
Net gain/(loss) on disposal of financial assets	0		
Revenue expenditure funded from capital under statute	(29,995)		
Deferred Income in respect of PFI schemes	1,123		
Reversal of donated asset adjustment	0		
PPE Disposal Proceeds	60,495		
Carrying Amount of PPE Disposals	(63,291)		
Capital grants & contributions unapplied credited to the Comprehensive Income & Expenditure Account	124,642	0	(124,642)
Total Adjustments to the Revenue Resources	**(149,253)**		**(124,642)**
Adjustments between Revenue & Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve		(60,495)	
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	29,642		
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	5,790		
Total Adjustments between Revenue & Capital Resources	**35,432**	**(60,495)**	**0**
Adjustments to Capital Resources			
Application of capital grants to finance capital expenditure	0	0	91,197
Application of capital receipts to reduce capital financing requirement	0	25,554	0
Total Adjustments to capital resources	**0**	**25,554**	**91,197**
Total Adjustments	**(113,821)**	**(34,941)**	**(33,445)**

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 2023/24.

	Balance at 31/03/22 £000	Transfers In £000	Transfers Out £000	Balance at 31/03/23 £000	Transfers In £000	Transfers Out £000	Balance at 31/03/24 £000
Budget equalisation reserve	103,329	18,700	(31,435)	90,594	675	(16,965)	74,305
Business rate appeals	28,602			28,602			28,602
Eco park sinking fund	22,141		(2,204)	19,937		(468)	19,469
Economic downturn reserve	11,744			11,744			11,744
Revolving infrastructure & investment fund	11,139			11,139			11,139
Insurance reserve	9,256	725	(1,175)	8,806	810	(1,040)	8,575
General capital reserve	7,487	135	(2,383)	5,239	148	0	5,387
Investment renewals (Invest to Save) reserve	5,011			5,011	8	0	5,020
Equipment replacement reserve	3,450	233	(900)	2,783	7	(1,009)	1,782
Interest rate reserve	1,600			1,600			1,600
Transformation reserve	3,068	15,000	(10,333)	7,735	0	(6,905)	830
CFLC inspection and system improvements	256	32	(117)	171	0	(111)	61
Vehicle replacement reserve	0	18		18			18
COVID reserve	5,858		(5,358)	500	0	(500)	0
Streetlighting reserve	1,191		(636)	555	0	(555)	0
Total general fund reserves	**214,132**	**34,843**	**(54,541)**	**194,434**	**1,649**	**(27,552)**	**168,532**
Schools balances	52,154	8,859	(11,570)	49,443	6,128	(3,434)	52,137
SEND High Needs Block	118,404	25,599		144,003			144,003
Total school reserves	**170,558**	**34,458**	**(11,570)**	**193,446**	**6,128**	**(3,434)**	**196,140**
Revenue grants unapplied	28,208	962,690	(936,308)	54,590	881,483	(872,858)	63,215
Total earmarked reserves	**412,898**	**1,031,991**	**(1,002,419)**	**442,470**	**889,260**	**(903,844)**	**427,888**

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

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.

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

Economic Downturn 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.

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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.

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.

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.

General capital 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.

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

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.

COVID-19 Emergency Funding reserve: Funding received to support the authority to fund the loss of income and extra costs for 2021/22 and beyond arising from COVID-19.

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.

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 2022/23 £000		Gross Expenditure 2023/24 £000	Income 2023/24 £000	Net Expenditure 2023/24 £000
1,322	Land Drainage Precept	1,191		1,191
303	Contributions from Trading Services	21,185	(22,085)	(899)
2,796	(Gain) or Loss on disposal of non-current assets	-		-
4,422		**22,377**	**(22,085)**	**292**

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 2022/23 £000		Gross Expenditure 2023/24 £000	Income 2023/24 £000	Net Expenditure 2023/24 £000
29,372	Interest payable and similar charges	33,846		33,846
51,981	Net interest on the net defined benefit liability (Note 38)	33,153		33,153
(18,354)	Interest receivable and similar income		(17,193)	(17,193)
0	Net (gains)/losses on financial assets at fair value through profit and loss		(476)	(476)
(9,033)	Income & expenditure in relation to investment properties (Note 14)	1,821	(4,742)	(2,921)
25,201	Disposal charge for the derecognition of schools that transfer to Academy status	58,453		58,453
97,233		**127,273**	**(22,411)**	**104,862**

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Note 12: Council tax and general grants & contributions

2022/23 £000		2023/24 £000
	Local taxation:	
(844,052)	- Council tax income	(863,050)
(107,471)	- Business rate income	(146,562)
	Grants and contributions:	
(97,841)	- Non ring-fenced government grants	(81,028)
(100,589)	- Capital grants and contributions	(92,404)
(1,149,953)		**(1,183,044)**

Note 13: Property, plant & equipment

Movement on balances	**31 March 2023 £'000**	**31 March 2024 £'000**
Infrastructure Assets	500,999	574,628
Other PPE assets	1,583,657	1,552,711
Total	**2,084,656**	**2,127,340**

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Cost	Land and Buildings £000	Vehicle, Plant and Equipment £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property Plant & Equipment £000
Balance at 1 April 2023	**1,513,888**	**146,983**	**8,402**	**33,988**	**37,754**	**1,741,015**
Additions*	86,684	17,048	1,827	85	13,247	**118,891**
Donations						0
Revaluations increases recognised in the Revaluation Reserve	57,692	-	-	7,635	-	**65,327**
Revaluations decreases recognised in the Revaluation Reserve	(45,853)	-	-	(3,774)	-	**(49,627)**
Revaluation increases (reversal of previous losses) recognised in the deficit on the CIES	1,316	-	-	150	-	**1,465**
Revaluation decreases recognised in the deficit on CIES	(27,917)	-	-	(1,607)	-	**(29,524)**
Transfers between asset classes	(4,300)	(24,153)	(125)	(8,542)	(2,098)	**(39,217)**
Derecognition & Disposals	(0)	(4,051)	(419)	-	-	**(4,471)**
Derecognition - Academies	(62,381)	(405)	-	-	-	**(62,786)**
At 31 March 2024	**1,519,128**	**135,422**	**9,684**	**27,936**	**48,903**	**1,741,073**
Accumulated Depreciation and Impairment						
at 1 April 2023	**(95,788)**	**(61,507)**	**-**	**(31)**	**(32)**	**(157,358)**
Depreciation charge	(47,117)	(12,244)	-	(6,313)	(0)	**(65,675)**
Impairment	0	0	0	0	0	0
Revaluation losses in the in the CIES	415	0	0	28	0	443
Revaluation increases in the CIES	6,697	0	0	165	0	6,862
Depreciation written out to the Revaluation reserve	10,339	-	-	132	-	**10,471**
Trans between asset classes	809	2,696	-	5,034	-	**8,538**
Derecognition - Disposals	-	4,024	-	-	-	**4,024**
Derecognition - Academies	4,009	324	-	-	-	**4,333**
At 31 March 2024	**(120,636)**	**(66,707)**	**-**	**(986)**	**(32)**	**(188,362)**
Net Book Value						
at 31 March 2023	**1,418,100**	**85,476**	**8,402**	**33,957**	**37,722**	**1,583,657**
at 31 March 2024	**1,398,492**	**68,715**	**9,684**	**26,949**	**48,871**	**1,552,711**

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Cost	Land and Buildings £000	Vehicle, Plant and Equipment £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property Plant & Equipment £000
Balance at 1 April 2022	**1,395,042**	**126,424**	**7,704**	**35,344**	**21,085**	**1,585,600**
Additions*	49,324	19,232	698	785	21,535	91,574
Donations						0
Revaluations increases recognised in the Revaluation Reserve	120,218	0	0	17,933	0	138,151
Revaluations decreases recognised in the Revaluation Reserve	(18,728)	0	0	(5,494)	0	(24,222)
Revaluation increases (reversal of previous losses) recognised in the deficit on the CIES	5,402	0	0	1,609	0	7,011
Revaluation decreases recognised in the deficit on CIES	(11,992)	0	0	(4,746)	0	(16,738)
Transfers between asset classes	8,768	2,258	0	(11,443)	(4,898)	(5,315)
Derecognition & Disposals	(6,716)	(931)	0	0	32	(7,615)
Derecognition - Academies	(27,430)	0			0	(27,430)
At 31 March 2023	**1,513,888**	**146,983**	**8,402**	**33,988**	**37,754**	**1,741,015**
Accumulated Depreciation and Impairment						
at 1 April 2022	**(65,115)**	**(52,045)**	**0**	**(6)**	**0**	**(117,166)**
Depreciation charge	(45,345)	(9,911)	0	(29)	0	(55,285)
Impairment	0	0	0	0	0	0
Depreciation written out to the Revaluation Reserve	12,905	0	0	4	0	12,909
Trans between asset classes	0	0	0	0	0	0
Derecognition - Disposals	(462)	449	0	0	(32)	(45)
Derecognition - Academies	2,229	0	0	0	0	2,229
At 31 March 2023	**(95,788)**	**(61,507)**	**0**	**(31)**	**(32)**	**(157,358)**
Net Book Value						
at 31 March 2022	**1,329,927**	**74,379**	**7,704**	**35,338**	**21,085**	**1,468,433**
at 31 March 2023	**1,418,100**	**85,476**	**8,402**	**33,958**	**37,722**	**1,583,657**

* These amounts include assets acquired under PFI schemes (see note 36), but excludes £32m revenue expenditure funded from capital under statute (£30m in 2022/23).

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INFRASTRUCTURE ASSETS

Movement on balances		2022/23 £'000	20223/24 £'000
Net Book Value (Modified Historical Cost)			
	At 1 April	470,898	500,998
	Additions	79,708	132,162
	Transfers in	2,238	0
	Depreciation	(51,846)	(58,533)
	Impairment	0	0
Other movements in cost		30,100	73,629
Net Book Value			
	At 31 March	**500,998**	**574,628**

In accordance with the temporary relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits may mean that this would not faithfully represent the asset position to the users of the financial statements

The authority has detailed records supporting the gross cost and accumulated depreciation for infrastructure assets. The authority had chosen not to disclose this information as the previously reported practices and resultant information deficits could mean that the gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the Financial statements to take economic or other decisions relating to infrastructure assets.

The authority has determined in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

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 Montagu Evans, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors, and are the best estimate of the assets' values at 31 March 2024.

		Land and Buildings £000s	Surplus assets £000s
Carried at current value not valued in the last 5 years		24,039	1,490
Carried at current value. Last revalued as at:	31-Mar-20	202,706	0
	31-Mar-21	414,262	0
	31-Mar-22	220,716	0
	31-Mar-23	289,214	12
	31-Mar-24	247,556	25,448
Total		**1,398,492**	**26,950**

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Revaluation changes

During 2023/24 the Council has recognised a net revaluation gain of £5.4m (£117.1m during 2022/23) in total across all PPE classes. The result was a revaluation loss of £20.8m (£9.7m in 2022/23) charged to the Comprehensive Income and Expenditure Statement, and a £26.2m gain (£126.8m in 2022/23) 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 depreciated replacement cost.

The fair value hierarchy of surplus assets at 31 March are as follows:				
	Quoted markets in active markets for identical assets (Level 1) £000s	**Other significant observable inputs (Level 2) £000s**	**Significant unobservable inputs (Level 3) £000s**	**Total £000s**
Recurring fair value measurements using:				
Surplus assets (NBV) at 31 March 2024	0	27,323	6,635	**33,958**
Surplus assets (NBV) at 31 March 2023	0	27,323	6,635	**33,958**

The surplus assets are measured at Level 2 in the fair value hierarchy where the measurement technique uses inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly, and are measured at Level 3 where there are significant unobservable inputs for the asset or liability. 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 in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability.

Capital commitments

At 31 March 2024, the Council has entered into a number of contracts for the acquisition/enhancement of Property, Plant & Equipment in 2023/24 and future years, budgeted to cost £24.60m. Similar commitments at 31 March 2023 were £42.94m.

Description/Project	**Total at 31st March 2024 £m**	**Total at 31st March 2023 £m**
Schools Basic Need/SEND	0.13	12.64
LAC Schemes	0	0
Schools Maintenance	0	1.72
Decarbonisation Schemes	0	2.93
DB&I Project – Unit 4	0	1.16
Unicorn WAN/WiFi services	3.50	3.50
Corporate Capital Maintenance	1.25	2.69

Description/Project (Cont)	Total at 31st March 2024 £m	Total at 31st March 2023 £m
Highway/Structural Maintenance Schemes	11.65	9.95
Traffic Signals	4.93	2.88
Street Lighting LED	0	2.03
Bridge Strengthening	0.56	1.28
Open Access	0	0
Rights Of Way	0.10	0
Improving Environment	0.13	0
Greener Homes	2.32	0
Digital Business	3.45	0
Total	**24.60**	**42.94**

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Note 14: Investment properties

Investment properties are those that are held solely to earn rental income and/or for capital appreciation. Investment properties are measured initially at cost and subsequently at fair value. Properties are not depreciated, with gains and losses on revaluation being posted to the Financing and Investment income and Expenditure line in the Comprehensive Income and Expenditure Statement. The line is also credited/debited with gains/losses on the disposal of properties, measured as the difference between the carrying amount and sale proceeds.

2022/23 £000		2023/24 £000
4,773	Rental income from investment property	4,742
(1,415)	Direct operating expenses arising from investment property	(1,832)
3,358	**Net gain**	**2,910**
3,935	Gain on sale of investment property	1,507
(12,391)	Net (loss) on fair value adjustments	(22,948)
(5,098)	**Income & expenditure in relation to investment properties**	**(18,531)**

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

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2022/23		2023/24	Offices	Retail	Other
£000		£000	£000	£000	£000
131,240	Balance at start of the year	**99,216**	92,052	3,110	4,055
0	Adjustments	(7,832)	(6,087)		(1,745)
131,240	Adjusted opening balance	**91,384**	**85,965**	**3,110**	**2,310**
9	Additions	**321**	321		
	Transfers	**770**	770		
27	Reclassification	**845**			845
(27,500)	Disposals	**(1,665)**			(1,665)
(12,391)	Net gain/(loss) from fair value adjustments*	**(22,593)**	(22,413)	55	(235)
91,385	**Balance at end of the year**	**69,063**	**64,643**	**3,165**	**1,255**

*The valuation of Investment Properties is based on prevailing market conditions and existing lease agreements as at 31 March 2024.

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 unobservable inputs are significant, leading to the properties being categorised at Level 3 in the fair value hierarchy. Surrey County Council have used a valuer to determine the value of the properties who have used their professional judgement. The fair value calculation takes into account the prevailing market conditions and lease agreements in place as at 31 March 2023. The council's valuers use valuation techniques to determine the fair value of investment property. This involves developing estimates and assumptions consistent with how market participants would price the property. The valuers base their assumptions on observable data as far as possible, but this is not always available. In that case, the valuers use the best information available.

The revaluation gain or loss does not impact upon the general fund of the Council – there are no adverse implications for the taxpayer 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. Significant changes in any of the unobservable inputs in relation to rent growth, vacancy levels or discount rates would result in a significantly lower or higher fair value measurement for the investment properties and surplus assets.

Details of the authority's investment properties and information about the fair value hierarchy at 31 March 2024 and 2023 are as follows:

Recurring fair value measurements using:	Quoted markets in active markets for identical assets (Level 1) £000s	Other significant observable inputs (Level 2) £000s	Significant unobservable inputs (Level 3) £000s	**Fair value as at 31 March 2024 £000s**
Residential (market rental) properties	-	-	0	0
Office units	-	-	64,643	64,643
Commercial units	-	-	4,420	4,420
Total	**-**	**-**	**69,063**	**69,063**

Recurring fair value measurements using:	Quoted markets in active markets for identical assets (Level 1) £000s	Other significant observable inputs (Level 2) £000s	Significant unobservable inputs (Level 3) £000s	**Fair value as at 31 March 2023 £000s**
Residential (market rental) properties	-	-	1,490	**1,490**
Office units	-	-	87,885	**87,885**
Commercial units	-	-	2,010	**2,010**
Total	-	-	91,385	**91,385**

Level 3 fair values for Investment properties are based on the valuation technique of capitalising the existing rent on the lease by the term of years to the next rent review or lease expiry, whichever is the earlier. Rental values are derived from comparable evidence, online data and knowledge of the market in Surrey.

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.

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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 2023/24, 12 schools had transferred to academy status. 5 were Community Schools, 3 were Aided Schools, 1 were Foundation Schools and 3 was Voluntary Controlled. 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	**31 March 2023**	**31 March 2024**
	£000	**£000**
Fair value through profit or loss		
Long Term investments	-	-
Cash and cash equivalents	96,500	40,999
Total	**96,500**	**40,999**
Amortised cost	**£000**	**£000**
Long Term investments	97,036	97,036
Long Term debtors	241,740	241,583
Short Term investments	0	-
Short Term debtors	167,366	232,134
Cash and cash equivalents	10,469	42,600
Total	**516,611**	**613,353**
Total Financial Assets	613,111	654,352
Non-Financial Assets	2,291,556	2,281,774
Total	**2,904,667**	**2,936,126**

Financial Liabilities	31 March 2023 £000	31 March 2024 £000
Amortised Cost		
Long Term Borrowings	480,420	471,738
Short Term Borrowings	171,152	339,787
Short Term Creditors	151,341	214,320
PFI, Lease	75,349	67,642
Other 3rd Party Balances	6,197	5,908
Total Financial liabilities	**884,459**	**1,099,395**
Non-Financial liabilities	871,272	569,261
Total	**1,755,731**	**1,684,545**

Categories of Financial Assets and Financial Liabilities

The following categories of financial assets and liabilities are carried in the Balance Sheet

	31 March 2023				31 March 2024	
Non Current £'000	Current £'000	Total £'000		Non Current £'000	Current £'000	Total £'000
			Financial assets			
338,776	177,835	516,611	Measured at amortised cost	338,619	274,734	613,353
0	96,500	96,500	Measured at fair value through profit or loss		40,999	40,999
338,776	**274,335**	**613,111**		**338,619**	**315,733**	**654,352**
			Financial liabilities			
480,420	404,039	884,459	Measured at amortised cost	471,738	627,657	1,099,395
480,420	**404,039**	**884,459**		**471,738**	**627,657**	**1,099,395**

The Council does not hold any financial liabilities measured 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

	2022/23		2023/24	
	Surplus or Deficit on the Provision of Services £000	**Other Comprehensive Income and Expenditure £000**	**Surplus or Deficit on the Provision of Services £000**	**Other Comprehensive Income and Expenditure £000**
Net gains/(losses) on:				
Financial assets measured at fair value through profit or loss – fair value	0	0	(476)	0
Financial assets measured at fair value through profit or loss – dividend	0	0	0	
Total net (losses)	**0**	**0**	**(476)**	**0**
Interest revenue:				
Financial assets measured at amortised cost	(18,015)		(20,767)	
Interest expense:				
Financial assets measured at amortised cost	29,372		33,846	

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 31/3/23 £000	As at 31/3/24 £000
Fair Value through Profit or Loss				
Cash (Money Market Funds)	Level 1	Unadjusted quoted prices in active markets for identical shares	**96,500**	**40,999**

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.

f. 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.

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- 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.

The fair values calculated are as follows:

Financial Liabilities	**31 March 2023**		**31 March 2024**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
	£000	**£000**	**£000**	**£000**
Long Term Borrowings - PWLB	456,182	382,446	451,016	383,167
Long Term Borrowings – Other	24,237	21,080	20,722	19,774
Short Term Borrowings	171,152	171,152	339,787	339,787
Short Term Creditors	151,341	151,341	214,320	214,320
PFI, Lease	75,349	88,013	67,642	69,812
Other 3rd Party Balances	6,197	6,197	5,908	5,908
Total	**884,459**	**820,228**	**1,099,395**	**1,032,768**

The fair value of borrowings are lower than the carrying amount because the portfolio of loans includes a number of fixed rate loans where the interest rate payable was lower than the prevailing rates at the Balance Sheet date. This showed a notional future gain, based on economic conditions at 31 March 2024, arising from a commitment to pay interest to lenders above current market rates.

Financial Assets	**31 March 2023**		**31 March 2024**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
	£000	**£000**	**£000**	**£000**
Long Term Investments	97,036	97036	97,036	97,036
Long Term Debtors	241,740	248,079	241,583	241,583
Short Term Debtors	167,366	167,366	232,134	232,134
Cash and Cash Equivalents	10,469	10,469	42,600	42,600
Total	**516,611**	**522,949**	**613,353**	**613,353**

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.

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

	31 March 2024			
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		402,941		402,941
Short Term Borrowings		339,787		339,787
Short Term Creditors		214,320		214,320
PFI, Lease			69,812	69,812
Other 3rd Party Balances		5,908		5,908
Total		**962,956**	**69,812**	**1,032,768**
Financial assets				
Long Term Debtors		241,583		241,583
Long Term Investments			97,036	97,036
Short Term Debtors		232,134		232,134
Cash and Cash Equivalents		42,600		42,600
Total		**516,317**	**97,036**	**613,353**

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 2024 of 5.27% 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 2024 of 6.22% for loans payable based on new lending rates for equivalent.

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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 Audit and Governance Committee on 18th January 2023 and is available on the Council website.

The key issues within the strategy were:

- The Authorised Limit for 2023/24 was set at £1,402m. This is the maximum limit of external borrowings or other long-term liabilities;
- The Operational Boundary was set at £1,232m. 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 25% based on the Council's net debt;
- The maximum and minimum exposures to the maturity structure of debt.

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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 2023/24 was approved by Full Council on 7th February 2023 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 2024 that this was likely to crystallise.

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Amounts Arising from Expected Credit Losses (ECL)
The changes in loss allowance during 2023/24 are as follows:

	12 Month ECL	Lifetime ECL	Lifetime ECL – Simplified Approach	Total
	£000	**£000**	**£000**	**£000**
Opening balance 1 April 2023	1,603		8,938	10,541
Change in credit loss			(164)	(164)
Closing balance 31 March 2024	1,603		8,774	10,377

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 2023	31 March 2024
	Restated	
	£000	**£000**
Less than one year	271,335	315,733
Between one and five years		
More than five years	338,776	338,619
Total	**613,111**	**654,352**

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:

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- 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 2023**	**31 March 2024**
	%	**%**	**%**	**%**
Less than one year	0%	60%	26%	38%
Between one and two years	0%	50%	0%	0%
Between two and five years	0%	50%	2%	2%
Between five and ten years	0%	75%	13%	10%
More than ten years	25%	100%	59%	50%

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 CIES.

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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

31st March 2023		31st March 2024
£000		£000
11,165	HMRC debtors	29,447
51,279	Accounts receivable debtors	48,121
48,874	Collection Fund debtors	-
25,403	Adult Social Care debtors	29,889
27,566	Payments in advance	25,604
90,684	Other debtors	154,124
254,971	Total	**287,185**

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Note 18: Cash and cash equivalents

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

31st March 2023		31st March 2024
£000		£000
10,469	General account	42,600
96,500	Money market funds	40,999
106,969	Total cash and cash equivalents	**83,599**

Note 19: Assets held for sale

31st March 2023		31st March 2024
£000		£000
27,714	**Balance outstanding at 1 April**	22,286
	Assets newly classified as held for sale:	
3,050	- Property, plant and equipment	14,004
-	Assets de-classifieds as held for sale	(4,724)
161	Revaluation gain	8,157
(5,709)	Revaluation loss	(1,604)
(2,930)	Assets sold	(33,000)
22,286	**Balance outstanding at 31 March**	**5,119**

Note 20: Creditors

31st March 2023		31st March 2024
£000		£000
(23,070)	HMRC Creditors	(11,205)
(20,930)	Accounts Payable Creditors	(31,878)
(29,936)	Collection Fund Creditors	
(76,734)	Receipts in Advance	(64,874)
(142,640)	Other Creditors	(195,861)
(293,310)	**Total**	**(303,818)**

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Note 21: Provisions

	Business Rates Appeals £000	Insurance liabilities £000	Other Provisions £000	Total Provisions £000
Balance at 1 April 2023	5,257	6,347	2,651	**14,255**
Additional provisions made in 2023/24				
Amounts used in 2023/24		(1,295)		(1,295)
Unused amounts reversed in 2023/24			(149)	(149)
Balance at 31 March 2024	**5,257**	**5,052**	**2,502**	**12,812**
Current provisions			2,502	2,502
Non-Current provisions	5,257	5,052	0	10,309
	5,257	**5,052**	**2,502**	**12,812**

	Business Rates Appeals £000	Insurance liabilities £000	Other Provisions £000	Total Provisions £000
Balance at 1 April 2022	6,674	6,348	3,480	**16,502**
Additional provisions made in 2022/23		2,156		2,156
Amounts used in 2022/23	(1,417)	(2,157)	(829)	(4,403)
Unused amounts reversed in 2022/23				
Balance at 31 March 2023	5,257	6,347	2,651	**14,255**
Current provisions			2,651	2,651
Non-Current provisions	5,257	6,347		11,604
	5,257	**5,052**	**2,502**	**14,255**

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 2024. 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 2022. The council has an earmarked reserve to cover any unknown future liabilities.

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).

	Restated balance* 31 March 2023	Transfers In	Transfers Out	Balance at 31 March 2024
General Fund	49,072	0		49,072
Earmarked Reserves	442,470	889,260	(903,844)	427,888
Revenue	491,542	889,260	(903,844)	476,960
Capital Government Grant Reserve	222,629	183,026	(169,472)	236,183
Capital Receipts	35,724	26,767	(51,840)	10,651
Capital	258,353	209,793	(221,312)	246,834
Total	749,895	1,099,054	(1,125,156)	723,794

* The comparatives for the year to March 2023 have been restated to correct figures disclosed in the accounts last year. A capital receipt for £18.7m was aligned to capital receipt reserve offset with the general fund. The note now agrees to the appropriate amount for the reserves.

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.

31st March 2024 £000		31st March 2024 £000
(719,455)	Revaluation Reserve	(657,677)
(438,961)	Capital Adjustment Account	(402,671)
0	Deferred Capital Receipts	(19,695)
18	Financial Instruments Adjustment Account	19
700,599	Pensions Reserve	475,396
(16,102)	Collection Fund Adjustment Account	(16,103)
62,635	DSG Adjustment Account	79,525
12,229	Accumulated Absences Account	13,419
(399,037)		**(527,787)**

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.

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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.

31/03/23		31/03/24	
£000		**£000**	**£000**
(634,428)	**Balance at 1 April**		**(719,455)**
	Upward revaluation of assets	(33,868)	
	Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the Provision of Services	0	
	Asset reclassification		
(124,391)	Surplus or deficit on revaluation of non-current assets not posted to the surplus or deficit on the Provision of Services		(33,868)
	Difference between fair value depreciation and historical cost depreciation	29,995	
	Accumulated gains on assets sold or scrapped	65,651	
39,364	Amount written off to the Capital Adjustment Account		95,646
(719,455)	**Balance at 31 March**		**(657,677)**

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.

2022/23 £'000			2023/24 £'000
(473,072)	**Balance at 1 April**		(438,961)
	Reversal of items relating to capex debited or credited to the CIES		
107,260	Depreciation and impairment	126,750	
0	Impairment or fair value adjustments under IFRS 9	0	
12,696	Revaluation losses/(gains) on PPE	19,653	
0	Other movements in valuation on PPE	0	
12,311	Movements in the market value of investment properties debited or credited to CIES	23,043	
0	Disposal of financial assets		
1,225	Amortisation of intangible assets		
29,995	REFCUS	46,590	
(1,123)	Deferred income	(1,264)	
0	Donated assets		
	Loss on disposal	0	
62,855	Disposal or derecognition amounts from CIES	93,562	
225,219			308,333
(39,364)	**Adjusting amount written out of the revaluation reserve**		(95,646)
185,855	Net written out of cost of non current assets consumed in the year		212,687
	Capital financing applied in the year		
(25,554)	Capital receipts	(45,288)	
0	Capital grants and contributions credited to CIES used for capital financing	0	
(91,197)	Grant funding from the Capital Grants Unapplied Account	(92,404)	
(29,642)	MRP	(32,985)	
(5,790)	Capex charged against the General Fund (RCCOs)	(5,721)	
439	Other movements - repayment of capital loans	0	
(151,744)			(176,397)
(438,961)	**Balance at 31 March**		(402,671)

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 2024 is for to the loss of interest on a soft loan issued by the Council in 2007/08 to Painshill Park Trust Ltd. There were no movements during 2023/24.

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Deferred Capital Receipts Account

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

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.

2022/23 £'000		**2023/24 £'000**
1,887,167	Balance at 1 April	700,599
(1,315,634)	Acturial (gains) / losses	(254,906)
219,334	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	115,691
(90,268)	Employer's pensions contributions and direct payments to pensioners payable in the year	(85,988)
(1,186,568)	Movement	(225,203)
700,599	Balance at 31 March	475,396

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.

31/03/23		**31/03/24**
£000		**£000**
4,467	**Balance at 1 April**	(16,103)
(20,570)	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	0
(16,103)	**Balance at 31 March**	**(16,103)**

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 its accounts for a financial year beginning on 1st April 2021, 1st April 2022 or 1st April 2023. 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.

31/03/23		**31/03/24**	
£000		**£000**	
62,635	**Balance at 1 April**	**62,635**	
0	Increase of Dedicated Schools Grant defcit	16,890	
62,635	**Balance at 31 March**		**79,525**

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.

31/03/23		31/03/24	**31/03/24**
£000		£000	**£000**
11,991	**Balance at 1 April**		**12,229**
	Settlement or cancellation of accrual made at the end of the preceding year	(12,229)	
	Amounts accrued at the end of the current year	13,419	
238	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		1,190
12,229	**Balance at 31 March**		**13,419**

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.

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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 Integrated Care Boards (ICBs).

The council entered into seven pooled budget arrangements in 2015/16, each representing a different CCG and area within Surrey. These arrangements are now with the 2 ICBs in Surrey following the dissolution of the CCGs . 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 ICB 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 2023/24. The council recognises its share of income, expenditure, assets and liabilities in its accounts.

2023/24

	North West Surrey LJCG	Surrey Downs LJCG	Guildford & Waverley LJCG	East Surrey LJCG	Surrey Heath LJCG	North East Hampshire & Farnham LJCG	East Berkshire LJCG	Total
Funding provided to the pooled budget	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
- Surrey County Council	(147)	(118)	(86)	(76)	(42)	(18)	(6)	(493)
- North West Surrey ICB	(26,675)							(26,675)
- Surrey Downs ICB		(22,313)						(22,313)
- Guildford & Waverley ICB			(15,540)					(15,540)
- East Surrey ICB				(13,922)				(13,922)
- Surrey Heath ICB					(7,226)			(7,226)
- North East Hampshire & Farnham ICB						(3,417)		(3,417)
- East Berkshire ICB							(920)	(920)
	(26,822)	(22,431)	(15,626)	(13,998)	(7,268)	(3,435)	(926)	(90,506)
Expenditure met from the pooled budget	28,146	23,560	16,967	18,628	7,801	3,454	928	99,484
(Surplus) or deficit	1,324	1,129	1,341	4,630	533	19	2	**8,978**
SCC Share	(88)	(185)	(80)	(85)	(310)	(173)	(226)	**(1,147)**

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2022/23

	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	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
- Surrey County Council	(147)	(118)	(86)	(76)	(42)	(18)	(6)	(493)
- North West Surrey ICB	(25,246)							(25,246)
- Surrey Downs ICB		(21,118)						(21,118)
- Guildford & Waverley ICB			(14,708)					(14,708)
- East Surrey ICB				(13,176)				(13,176)
- Surrey Heath ICB					(6,839)			(6,389)
- North East Hampshire & Farnham ICB						(3,234)		(3,234)
- East Berkshire ICB							(871)	(871)
	(25,393)	(21,236)	(14,794)	(13,252)	(6,881)	(3,252)	(877)	(85,685)
Expenditure met from the pooled budget	29,146	24,750	18,100	16,306	7,095	3,178	825	99,400
(Surplus) or deficit	3,753	3,514	3,306	3,054	214	(74)	(52)	13,715
SCC Share	1876	1757	1653	1527	107	(37)	(26)	6,857

Orbis Joint Operating Budget

Orbis is a partnership between Surrey County Council, East Sussex County Councils 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 2023/24 incorporated the following services: IT and Digital (part supported), Procurement, Internal Audit, Management, Insurance, Treasury and Tax and Energy (withdrawn part way through the year).

2022/23 £000		**2023/24** £000
	Funding provided to the pooled budget	
(6,166)	- Surrey County Council	(6,384)
(3,471)	- East Sussex County Council	(3,600)
(2,733)	- Brighton and Hove City Council	(2,873)
(12,409)		(12,858)
12,409	Expenditure met from the pooled budget	12,858
0	Net surplus on the pooled budget	0

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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

2022/23		2023/24
£000		£000
1,663	Member Allowances*	**1,406**
2	Member Expenses	**4**
1,665		**1,410**

*Includes the employer's contributions for national insurance £93k (2022/23, £115k).

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 2022/23. 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:

	Notes	Salary & Other Payments	Employers Pension contributions	Total
		£	£	£
2023-24				
Chief Executive				
Leigh Whitehouse	**1**	15,042		15,042
Chief Executive				
Joanna Killian	**2**	234,935		234,935
Deputy Chief Executive				
Leigh Whitehouse	**3**	193,137		193,137
Director - Corporate Finance & Commercial				
Anna D'Alessandro	**4**	5,399	1,080	6,479
Executive Director of Prosperity, Partnerships and Growth				
Michael Coughlin	**5**	186,533	27,607	214,140
Executive Director for Children, Families, Lifelong Learning and Culture				
Rachel Wardell	**6**	177,652	26,292	203,944
Executive Director for Public Service Reform				
Rachel Crossley	**7**	85,307	12,626	97,933
Executive Director – Adults, Wellbeing & Health Partnerships				
Helen Coombes	**8**	158,050	-	158,050
Executive Director – Adults, Wellbeing & Health Partnerships				
Liz Bruce	**9**	102,405		102,405
Executive Director Environment, Infrastructure and Growth				
Kathrine Stewert				
	10	159,669	23,631	183,300
Executive Director - Customer, Digital & Transformation				
Marie Snelling	**11**	110,137	13,946	124,083
Chief Fire Officer				
Dan Quin	**12**	140,367	40,426	180,793
Total 2023/24		**1,568,633**	**145,607**	**1,714,241**

Notes to Senior Officer's Remuneration table:

Note 1 - Leigh Whitehouse took up the interim position of Chief Executive from March 2024. Full time annual salary is £223,822.

Note 2 - Joanna Killian left her position of Chief Executive at SCC on 17/03/2024. Full time annual salary is £245,157.

Note 3 - Leigh Whitehouse moved to interim Chief Executive in March 2024. Full time annual salary is £207,052.

Note 4 - Anna D'Alessandro became the interim S151 Officer from 17th March 2024. Full time annual salary is £143,465.

Note 5 - There was a Job title change from Executive Director - Partnerships, Prosperity & Growth to Executive Director - Customer, Digital & Transformation which happened in March 2024.
Full time annual salary is £186,533.

9 Note 6 - Full time annual salary is £177,652.

Note 7 - Rachel Crossley left her position as Joint Executive Director for Public Service Reform at SCC in October 2023. Full time annual salary is £143,465.

Note 8 - Helen Coombes started at SCC in October 2023 as Executive Director – Adults, Wellbeing & Health Partnerships.

Note 9 - Liz Bruce, left SCC in September 2023. Full time annual salary is £209,100.

Note 10 - Kathrine Stewert had a change in job title during the year to Executive Director Environment, Infrastructure and Growth. Full time annual salary is £159,669.

Note 11 - Marie Snelling, left SCC in November 2023. Full time annual salary is £149,437.

Note 12 - Full time annual salary is £138,567.

	Notes	Salary & Other Payments	Employers Pension contributi	Total
		£	£	£
2022-23				
Chief Executive				
Joanna Killian		234,600		234,600
Deputy Chief Executive				
Leigh Whitehouse		198,135		198,135
Executive Director of Prosperity, Partnerships and Growth				
Michael Coughlin		178,500	26,418	204,918
Executive Director for Children, Families, Lifelong Learning and Culture		170,000	25,160	195,160
Executive Director for Public Service Reform				
Rachel Crossley		137,287	20,318	157,605
Executive Director – Adults, Wellbeing & Health Partnerships		190,551		190,551
Executive Director for Highways, Transport and Environment		152,793	20,729	173,522
Executive Director for Customers and Communities				
Marie Snelling		143,000	21,164	164,164
Chief Fire Officer				
Dan Quin		130,900	38,218	169,118
Strategic Director - Communications				
Andrea Newman		125,000	18,500	143,500
Total 2022/23		**1,660,766**	**170,507**	**1,831,273**

Note 27: Officers’ remuneration

Officers Remuneration over £50k

2022/23 Non School numbers	2022/23 Schools numbers	2022/23 **Total numbers**	Remuneration (£)	2023/24 Non School numbers	2023/24 Schools numbers	2023/24 **Total numbers**
426	138	**564**	50000 - 54999	380	58	**438**
163	86	**249**	55000 - 59999	343	59	**402**
136	53	**189**	60000 - 64999	163	69	**232**
129	42	**171**	65000 - 69999	98	51	**149**
63	39	**102**	70000 - 74999	162	33	**195**
27	30	**57**	75000 - 79999	32	25	**57**
47	17	**64**	80000 - 84999	25	28	**53**
15	12	**27**	85000 - 89999	48	14	**62**
16	2	**18**	90000 - 94999	18	9	**27**
9	6	**15**	95000 - 99999	16	9	**25**
1	1	**2**	100000 - 104999	9	3	**12**
3		**3**	105000 - 109999	3	0	**3**
7	1	**8**	110000 - 114999	1	2	**3**
2	1	**3**	115000 - 119999	5	0	**5**
1	1	**2**	120000 - 124999	4	0	**4**
3	1	**4**	125000 - 129999	1	1	**2**
2		**2**	130000 - 134999	5	0	**5**
1		**1**	135000 - 139999	2	1	**3**
1		**1**	140000 - 144999	1	0	**1**
1		**1**	150000 - 154999	0	0	**0**
			155000 - 159999	1	0	**1**
1		**1**	160000 - 164999	0	0	**0**
1		**1**	165000 - 169999	0	0	**0**
			170000 - 174999	1	0	**1**
1		**1**	175000 - 179999	1	0	**1**
			185000 - 189999	1	0	**1**
1		**1**	195000 - 199999	0	0	**0**
1		**1**	205000 - 204999	0	0	**0**
			220000 - 225499	1	0	**1**
1		**1**	230000 - 234999	0	0	**0**
1059	430	**1489**		**1321**	**362**	**1683**

In 2023/24, as well as incremental pay increase for applicable employees, a pay award was agreed that increased by set amounts for employees on the lower end of the pay scales. This corresponds to the increase in numbers to the employees with remuneration above £50k with a weighting to the increases at the lower end of the £50k to £240k scale. Incremental jumps in the table signify nil volumes in that category.

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:

2022/23					2023/24			
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**
20	146	166	934	0-20,000	179	42	221	1358
0	10	10	321	20,001-40,000	17	12	29	837
0	2	2	202	40,001-60,000	7	8	15	710
0	2	2	129	60,001-80,000	1	2	3	191
0	1	1	88	80,001-100,000	0	1	1	82
				100,001-150,000	1	0	1	140
0	1	1	157	150,001 – 200,000	0	0	0	0
20	**162**	**182**	**1,829**	**Total cost included in bandings**	**205**	**65**	**270**	**3318**
0	0	0	89	ADD: Amounts provided for in CIES not yet paid**	0	0	0	0
20	**162**	**182**	**1,918**	**Total cost included in CIES**	**205**	**65**	**270**	**3318**

* 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 2023/24 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;

2022/23 £000		2023/24 £000
	Fees payable to the external auditors with regards to external audit services carried out by the appointed auditor for the year	
218	Grant Thornton	
	Ernst Young	384
10	Fees payable to the external auditors for the certification of grant claims and returns for the year	-
228	Total	**384**

Note 30: Dedicated Schools Grant

The council's expenditure on schools in 2023/24 was funded primarily by grant monies provided by the Education and Skills Funding Agency, 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) Regulations 2023 (2023 SI 59). The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school, plus allocations for private nursery providers.

In total at the end of 2023/24 there is a cumulative £79.5m deficit on the DSG. This is the net amount from an overspend on the High Needs Block of £106.4m, less unspent balances on the other blocks of £26.8m. The High Needs Block overspend is mainly offset by an earmarked reserve (see Note 9).

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Details of the deployment of DSG receivable for 2023/24 are as follows

2022/23 £000s	Notes		Central expenditure	Individual schools budget (ISB)	2023/24 £000s
1,031,164	A	Final DSG for 2023/24 before academy and high needs recoupment			1,102,087
491,513	B	Academy and high needs figure recouped for 2023/24			(539,144)
539,651	C	**Total DSG after academy and high needs recoupment for 2023/24 (A-B)**			562,943
4,772	D	plus DSG surplus brought forward from 2022/23			1,298
544,423					
21,881	E	less Carry forward to 2024/25 agreed in advance (+ means deficit)			31,498
566,304					595,739
566,304	F	**Agreed initial budgeted distribution for 2023/24**	237,050	358,689	595,739
24,269	G	In year adjustments to budget	12,242	18	12,260
590,573	H	**Final budgeted distribution 2023/24**	249,292	358,708	607,999
205,073	I	Actual central expenditure	235,213		235,213
362,321	J	Actual ISB deployed to schools		358,175	358,175
	K	less funded by Local authority contribution		0	0
567,394		Total funded by DSG	235,213	358,175	593,388
(23,179)	L	**In year carry forward to 2024/25**	(14,078)	(533)	(14,611)
21,881	M	Carry forward to 2024/25 agreed in advance			31,498
1,298	N	**Carry forward to 2024/25(if surplus)** (L+E)			0
(62,635)	O	DSG unusable reserve at the end of 2022/23			(62,635)
0	P	Addition to DSG unusable reserve at the end of 2023/24			16,887
(62,635)	Q	**Total DSG unusable reserve at the end of 2023/24**			(79,522)
(61,337)	R	**Net DSG surplus (deficit) at 31 March 2024**			(79,522)

A Final DSG figure before deducting academy recoupment and funding for high needs places directly funded by the ESFA, and before the January 2024 early years block adjustment (which will be made in summer 2024) The early years block adjustment in respect of Jan 2024 is estimated to be a reduction of £1.034m.

B Figure recouped from the authority in 2023/24 by the DfE for the budget shares of mainstream academies and in respect of funding for places in FE colleges, special academies, SEN units and resources in mainstream academies for which funding is paid directly to the academy by the Education and Skills Funding Agency.

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

D Figure brought forward from 2022/23 as agreed with the Department. This was the net underspend in 2022/23 (after crediting safety valve).

E Surplus (deficit) which the authority decided after consultation with the Schools Forum to carry forward to 2024/25 (or later year) rather than allocating in 2023/24.

F Initial budgeted distribution of DSG, including planned overspend, as agreed with the schools forum.

G The net in year adjustment of £12.260m is made up of £12.270m safety valve DSG less £0.01m deducted in 2023/24 from the January 2023 early years update, because the number of two, three and four year olds in Jan 2023 was lower than that in Jan 2022 (on which the previous allocation had been based) Other in year adjustments comprise adjustments to budgets for permanently excluded pupils.

H Budgeted distribution of DSG as at the end of the financial year, including planned overspend.

I Actual amount of central expenditure items in 2023/24.

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 funding allocations for private nursery providers.

K Contribution from LA which has the effect of substituting for DSG in 2023/24. There were no such contributions in 2023/24 Under the 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 2023/24 budgets. For central expenditure, difference between final budgeted distribution of DSG and actual expenditure , plus any local authority contribution. For ISB, difference between amount allocated to individual providers and funding budgeted for that purpose.

M Same as E above.

N Sum carried forward to 2024/25 , where it is a surplus (ie where there is a surplus on DSG during 2023/24) Nil in 2023/24 because there was a net DSG overspend planned overspend (as the budgeted allocation exceeded available DSG).

O This is the accumulated DSG overspend as at 31 March 2023.

P This is the net overspend added to the unusable reserve (it was nil in 2022/23 because there was an in year underspend after crediting safety valve contributions).

Q This is the accumulated overspend against DSG at the end of 2023/24, Note that this is made up of a deficit on high needs block partly offset by a much smaller surplus on other blocks. It is added to when there is a net DSG overspend in any year.

R Net DSG position at the end of 2023/24 (whether surplus or deficit).

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:

2022/23 £000		2023/24 £000
	General grants & contributions	
(5,955)	Private Finance Initiative Grant	(5,955)
(31,697)	Business Rate Grants	(30,395)
(2,237)	New Homes Bonus	(1,629)
(7,936)	COVID-19 Funding	-
	Services Grant	(4,656)
(31,231)	Social Care Support Grant	(52,533)
(18,785)	Other Revenue Grants	(16,959)
(32,679)	Education Funding Agency (Schools Basic Need & Schools Condition Allocation)	(22,775)
(31,518)	Highways Maintenance & Integrated Transport Grant	(19,047)
(24,280)	Capital developer contributions	(18,097)
(1,322)	Capital contributions from schools	(9,306)
(10,789)	Other Capital grants & Contributions	(9,134)
(198,429)		**(190,485)**

Grants credited to services are analysed in the following table:

2022/23 £000		2023/24 £000
599,568	Dedicated Schools Grant	593,388
33,752	Homes for Ukraine Grant	14,111
39,637	Public Health Grant	40,930
21,639	Young People Learning Agency	9,323
13,610	Pupil Premium	13,904
638	Teachers Pay and Pensions Grants	204
6,831	Universal Infant Free School Meals	7,330
105,382	Other revenue grants	112,018
821,057	**Total**	**791,207**

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 2023/24 is shown in Note 25.

During 2023-24 works and services to the value of £ were commissioned from companies which Members have had an interest in. Contracts were entered into in full compliance with the Council's standing orders.

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 two subsidiaries; Halsey Garton Property Investments Ltd and Halsey Garton Property Developments Ltd. Halsey Garton Property Development Ltd is not yet trading.
- Halsey Garton Residential Ltd – is a company set up for the letting and operating of own or leased rental estate.

The Council also has control over one trust fund, the Henrietta Parker Trust and Connect2Surrey.The Council has determined it exerts control over Connect2Surrey however groups accounts have not been consolidated on the basis of an immaterial balance.

Group accounts for 2023/24 have been prepared and will be presented in these accounts to show the combined financial performance and position of the county council, Hendeca Ltd, Surrey Choices Ltd, Halsey Garton Property Ltd and Halsey Garton Residential Ltd.

9 During 2023/24 the Council received £14.3m in interest payments from Halsey Garton Property Ltd (£14.7m in 2022/23) and £0.8m in recharges from the company for services provided in year (£0.5m 2022/23). As at 31 March 2024 the company owed SCC £234m in long term loans.

During 2023/24 the council received £0.4m in interest payments from Halsey Garton Residential Ltd (£0.4m 2022/23) and £0.2m in recharges from the company for services provided in year (£0.2m 2022/23). As at 31 March 2024 the company owed SCC £7m in long term loans, as well as £0.06m in short term payables. As at 31 March 2024 SCC owed the compnay £0.01m in short term payables.

The Council purchased £9.5m of Adult Social Care services from Surrey Choices Ltd (£10.3m in 2022/23). It received £0.4m in recharges from the company for services provided in year (£2.4m in 2022/23). As at 31 March 2024 the company owed SCC £1.6m in long term loans.

The Council received £0.1m in recharges from Hendeca for services provided in year (£0.1m in 2022/23). As at 31 March 2024 the company owed SCC £0.02m 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 (to follow)

The fee payable by the Surrey Pension Fund to the county council for services provided in 2023/24 was £4.7m (£4.7m in 2022/23). This is split into the fee for providing pension administration services £4.2m (£4.2m in 2022/23) and £0.5m (£0.5m in 2022/23) for treasury management, accounting and managerial services.

During 2023/24 the Council paid employer pension contributions of £73.7m (£73.7m in 2022/23).

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 2023/24 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

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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:

2022/23 £000		2023/24 £000
	Capital Financing	
1,333,772	**Opening Capital Financing Requirement**	**1,382,291**
171,283	Property, Plant and Equipment	251,848
9	Investment Properties	321
975	Intangible Assets	(16)
29,995	Revenue Expenditure Funded from Capital Under Statute	46,590
0	Long Term Debtor	0
	Sources of Finance	
(25,990)	Capital receipts	(45,288)
(91,197)	Government grants and other contributions	(92,404)
	Sums set aside from revenue	
(5,790)	Direct revenue contributions	(5,721)
(29,642)	Minimum Revenue Provision	(32,984)
(1,123)	PFI Deferred Income	(1,264)
1,382,291	**Closing Capital Financing Requirement**	**1,503,374**
	Explanation of movements in year	
79,285	Increase in underlying need to borrowing (unsupported by government financial assistance)	155,330
(29,642)	Minimum Revenue Provision	(32,984)
(1,123)	PFI Deferred Income	(1,264)
48,520	**Increase / (decrease) in Capital Financing Requirement**	**121,082**

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Note 34: Leases

Council as lessee

Operating leases:

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

31 March 2023 £000	Operating lease liabilities - land and buildings	31 March 2024 £000
2,035	Not later than one year	2,044
4,954	Later than one year but not later than five years	3,998
9,366	Later than five years	8,882
16,356		**14,924**

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

2022/23 £000	Amounts charged to the Comprehensive Income and Expenditure Statement during the year Operating leases - land and buildings	2023/24 £000
3,615	Minimum lease payments for the year	**1,057**

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 2023 £000	Operating Lease Future Receipts - land and buildings:	31 March 2024 £000
4,722	Not later than one year	6,723
17,889	Later than one year but not later than five years	22,541
50,299	Later than five years	94,058
72,910		**123,322**

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.

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

31 March 2023 Other liabilities				31 March 2024 Other liabilities		
Short term	Long-term	Total		Short term	Long-term	Total
£000	£000	£000		£000	£000	£000
(19,840)	(55,509)	(75,349)	PFI finance lease liabilities (Note 36)	(21,479)	(46,163)	(67,642)
	(6,989)	(6,989)	Deferred income liabilities (Note 36)		(5,725)	(5,725)
	(700,599)	(700,599)	Pension liabilities (Note 38)		(475,396)	(475,396)
	(6,197)	(6,197)	Balances held for third parties		(5,908)	(548,763)
(19,840)	**(769,294)**	**(789,134)**		**(21,479)**	**(533,192)**	**(1,097,527)**

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 2021/22. 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.

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 VPE and those assets in relation to the street lighting contract are recognised as infrastructure assets.

The table below summarises the movement:

Land & Buildings	Infra-structure	Vehicle, Plant & Equipment	2022/23 Total		Land & Buildings	Infra-structure	Vehicle, Plant & Equipment	2023/24 Total
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
100,928	76,653	29,039	206,620	Gross cost at 1 April	100,928	76,653	29,039	206,620
			0	Movement: Additions / Revaluations				0
100,928	76,653	29,039	206,620	Gross Cost at 31 March	100,928	76,653	29,039	206,620
(37,805)	(22,134)	(78)	(60,017)	Accumulated Depreciation and Impairment at 1 April	(39,752)	(24,051)	(1,014)	(64,817)
(1,947)	(1,917)	(936)	(4,800)	Depreciation charge for the year	(1,333)	(1,917)	(937)	(4,186)
			0	Impairment losses recognised in the Surplus/Deficit on the Provision of Services	0			0
(39,752)	(24,051)	(1,014)	(64,817)	Accumulated Depreciation and Impairment at 31 March	(41,085)	(25,968)	(1,951)	(69,003)
63,123	54,519	28,961	146,603	**Net book value at 1 April**	61,176	52,602	28,025	141,803
61,176	52,602	28,025	141,803	**Net book value at 31 March**	59,843	50,685	27,088	137,617

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 2024 (excluding any estimation of inflation and availability/performance deductions) are as follows:

2022/23 Total £000		Payable within 1 Year £000	Payable within two to five years £000	Payable within six to ten years £000	Payable within 11 years £000	2023/24 TOTAL £000
	Payment for Services					
61,546	- Waste*	22,447				22,447
7,731	- Care UK	7,731	15,462			23,193
2,936	- Street Lighting	2,952	12,037	15,818	3,889	34,696
72,213		33,131	27,499	15,818	3,889	**80,337**
	Reimbursement of Capital Expenditure					
19,084	- Waste*	18,371				18,371
136	- Care UK	144	315			459
2,772	- Street Lighting	2,964	14,135	24,532	5,644	47,275
21,992		21,479	14,450	24,532	5,644	**66,105**
	Interest					
1,246	- Waste*					0
36	- Care UK	28	29			57
5,592	- Street Lighting	5,383	19,028	16,150	1,767	42,328
6,874		5,411	19,057	16,150	1,767	**42,385**
101,079	TOTAL	**60,021**	**61,006**	**56,500**	**11,300**	**188,827**

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

2022/23 Finance Lease Liability £000	2022/23 Deferred Income Liability £000		2023/24 Finance Lease Liability £000	2023/24 Deferred Income Liability £000
(88,520)	(8,180)	**Balance outstanding at the start of the year**	(75,349)	(6,988)
13,171		Payments during the year	7,707	
	1,191	Amortisation of deferred income		1,263
(75,349)	**(6,988)**	**Balance outstanding at year end**	**(67,642)**	**(5,725)**

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

31 March 2023 £000		31 March 2024 £000
60	not later than one year	59
229	later than one year but not later than 5 years	224
238	later than 5 years	184
527		**467**

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 2023/24, the Council paid £48.5m / 23.68%. The 2022/23 equivalents were a payment of £48.5m and percentage of 23.68%. 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 anhaihaid 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 2023/24 the council's liability to pay NHS pensions is being finalised but stands at 16.88% of pensionable pay (2022/23, £533k, 16.88%) The total contribution rate for 2023/24 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 Department for Levelling Up, Housing and Communities.

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	
	2022/23	**2023/24**	**2022/23**	**2023/24**
	£000	**£000**	£000	**£000**
Comprehensive Income & Expenditure Statement				
Cost of Services:				
- current service cost	159,333	70,943	8,100	2,900
- past service cost	792	522	400	300
- (gain)/loss on settlements	(1,272)	(2,672)		
Financing & Investment Income & Expenditure				
- net interest on the net defined benefit liability	34,281	11,953	17,700	21,200
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**193,134**	**80,746**	**26,200**	**24,400**
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)	97,163	(158,723)		0
- actuarial gains and losses arising on changes in demographic assumptions	(20,203)	(15,245)	(7,600)	(200)
- actuarial gains and losses arising on changes in financial assumptions	(1,399,518)	(154,967)	(230,800)	(23,300)
- other experience	219,124	88,329	26,200	9,200
Total remeasurement of the net defined benefit liability	**(1,103,434)**	(240,606)	**(212,200)**	**(14,300)**
Total Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement	**(910,300)**	**(159,860)**	**(186,000)**	**10,100**
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	**(193,134)**	**(80,746)**	**(26,200)**	**(24,400)**
Actual amount charged against the General Fund Balance for pensions in the year:				
- employers' contributions to the scheme/ retirement benefits paid direct to pensioners	**70,368**	**58,143**	**19,900**	**17,300**

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	
	2022/23	**2023/24**	**2022/23**	**2023/24**
	£000	**£000**	£000	**£000**
Present value of the defined benefit obligation	(2,618,408)	(2,643,257)	(454,000)	(446,800)
Fair value of plan assets	2,371,809	2,614,661		
Net liability arising from defined benefit obligation	**(246,599)**	**(28,596)**	**(454,000)**	**(446,800)**

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	
	2022/23	**2023/24**	**2022/23**	**2023/24**
	£000	**£000**	£000	**£000**
Opening Balance at 1 April	(3,623,941)	(2,699,625)	(659,900)	(454,000)
Current service cost	(159,333)	(70,943)	(8,100)	(2,900)
Interest cost	(99,023)	(123,943)	(17,700)	(21,200)
Contributions by scheme participants	(22,296)	(22,712)		
Remeasurements:				
- Actuarial gains and losses arising on changes in demographic assumptions	20,203	15,245	7,600	200
- Actuarial gains and losses arising on changes in financial assumptions	1,399,518	154,967	230,800	23,300
- Other experience	(219,124)	(88,329)	(26,200)	(9,200)
Pensions and lump sum expenditure			19,900	17,300
Benefits paid	2,040	102,780		
Past service costs (including curtailments)	(792)	(522)	(400)	(300)
Settlements	3,123	6,402		
Closing balance at 31 March	**(2,699,625)**	**(2,726,680)**	**(454,000)**	**(446,800)**

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 **	
	2022/23 £000	2023/24 £000	2022/23 £000	2023/24 £000
Opening fair value of scheme assets at 1 April	2,396,674	2,371,809		
Interest income	64,742	111,990		
Remeasurement:				
Return on assets excluding amounts included in net interest	(97,163)	158,723		
Employer Contributions	68,328	55,937		
Employer contributions adjustment*				
Contributions by scheme participants	22,296	22,712		
Benefits paid	(81,217)	(102,780)		
Settlements	(1,851)	(3,730)		
Closing fair value of scheme assets at 31 March	**2,371,809**	**2,614,661**		

* Difference between actuary estimate of employer contributions and actual contributions paid.
** No Fair value changes for the Fire fighter pensions.

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total net liability of £247m has an impact on the net worth of the Council as recorded in the Balance Sheet. The liability has reduced considerably during 2023/24 and 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 2024.

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	
	2022/23	**2023/24**	**2022/23**	**2023/24**
Mortality assumptions:				
- longevity at 65 for current pensioners (60 for firefighters):				
- Men	22.1 years	22.5 years	25.9 years	25.8 years
- Women	24.7 years	24.9 years	28.5 years	28.7 years
- longevity at 65 for future pensioners (60 for firefighters):				
Men	22.9 years	23.3 years	27.3 years	27.2 years
Women	26.0 years	26.3 years	29.8 years	30.0 years
Rate of inflation	3.20%		3.2%	3.10%
Rate of increase in salaries	3.95%	3.75%	3.2%	3.10%
Rate of increase in pensions	2.95%	2.75%	3.0%	2.75%
Rate for discounting scheme liabilities	4.75%	4.85%	4.8%	4.85%

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.

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	Local Government Pension Scheme	
	Approximate % increase to employer liability	Approximate monetary amount
		£000
0.1% decrease in real discount rate	2%	49,789
1 year increase in member life expectancy*	4%	105,730
0.1% increase in the salary increase rate	0%	1,596
0.1% increase in the pension increase rate	2%	49,120

	Firefighters' Pension Scheme	
	Approximate % increase to employer liability	Approximate monetary amount
		£000
0.5% decrease in real discount rate	10%	43,730
1 year increase in member life expectancy*	3%	13,400
0.5% increase in the salary increase rate	<1%	3,440
0.5% increase in the pension increase rate	8%	36,750

*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).

Investment assets

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

31 March 2023 £000			31 March 2024 £000	
49,658	2%	Cash & cash equivalents	40,442	2%
211,571	9%	Quoted equity securities	209,087	8%
335,886	14%	Private equity securities	400,189	15%
-6,322	0%	Derivatives	(1,494)	0%
142,923	6%	Real estate	128,414	5%
1,638,093	69%	Investment funds & unit trusts	1,838,023	70%
2,371,809			**2,614,661**	

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 2023.

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 £57.016m to the LGPS in 2023/24.

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 2023/24 £142.95m 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 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.

Note 40: Cash flow statement- Operating Activities

The cash flows for operating activities include the following items

31st March 2023 £000		31st March 2024 £000
18,354	Interest received	17,193
(29,372)	Interest paid	(33,846)
0	Dividends received	0

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements

31/03/2022 £000		31st March 2023 £000
108,485	Depreciation	126,750
27,667	Impairment and downward valuations	101,149
0	Amortisation	0
0	Increase/(decrease) in impairment for bad debts	0
36,948	Increase/(decrease) in creditors	6,407
(65,360)	(Increase)/decrease in debtors	(32,210)
73	(Increase)/decrease in inventories	239
129,066	Movement in pension liability	29,703
63,291	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	35,109
(4,892)	Other non-cash items charged to the net surplus or deficit on the provision of services	(1,737)
295,278		**265,409**

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities

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31st March 2023 £000		31st March 2024 £000
0	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	0
(60,495)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(20,215)
(100,589)	Any other items for which the cash effects are investing or financing cash flows	(105,957)
(161,084)		**(126,172)**

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

31st March 2023 £000		31st March 2024 £000
(172,267)	Purchase of property, plant and equipment, investment property and intangible assets	(252,153)
0	Purchase of short-term and long-term investments	0
436	Other payments for investing activities	157
60,495	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	20,215
0	Proceeds from short-term and long-term investments	0
100,589	Other receipts from investing activities	105,957
(10,747)	**Net cash flows from investing activities**	**(125,824)**

Note 42: Cash flow statement – Financing Activities

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31st March 2023 £000		31st March 2024 £000
0	Cash receipts of short- and long-term borrowing	159,953
0	Other receipts from financing activities	0
(12,431)	Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts	(10,610)
(73,705)	Repayments of short- and long-term borrowing	0
0	Other payments for financing activities	0
(86,136)	**Net cash flows from financing activities**	**(149,343)**

GROUP ACCOUNTS

To Follow

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ANNUAL GOVERNANCE STATEMENT 2023/24

To Follow – on another agenda item in the same committee meeting pack

FIREFIGHTERS PENSION FUND

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.

2022/23 £000	Ref: Note	Firefighters' pension fund account	2023/24 £000
		Contributions Receivable:	
(5,043)	2	Contributions receivable from employer (normal)	(5,759)
(2,254)	2	Contributions receivable from employees	(2,603)
(340)	4	Individual transfers in from other schemes	0
(222)	2	Ill Health Charges	(222)
(7,858)			**(8,584)**
		Benefits payable	
15,934	3	Pensions	17,913
5,285	3	Commutations and lump sum retirement benefits	1,778
0	3	Lump sum death benefits	0
14	4	Payments to and on account of leavers	65
21,232		Total amounts payable	**19,755**
13,374		**Net amount receivable for the year before top-up grant**	**11,172**
(9,387)	5	Top-up grant received from Home Office	(9,940)
(3,987)	5	Top-up grant still owing from Home Office	(1,232)
(13,374)		**Net amount payable / receivable for the year**	**(11,172)**

31 March 2023 £000	Net Asset Statement	31 March 2024 £000
	Current assets:	
3,987	Pension top-up grant receivable from Home Office	**1,232**
3,987		**1,232**
	Current liabilities:	
(3,987)	Cash overdrawn	**(1,232)**
(3,987)		**(1,232)**

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Note 1 – General principles.

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 prior to being submitted for approval to the Audit and Governance Committee. It is also subject to the council's statutory audit report which is issued after approval from the Audit and Governance Committee has been given.' and 'The operation of the pension fund for authorities administering the firefighters' pension scheme in England is controlled by the Firefighters' Pension Scheme (Amendment) (England) Order 2006 (SI 2006/1810). 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 £65.8m.

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.

Note 2 - Contributions receivable

Contributions represent the total amounts receivable from the Council and the pensionable employees. Employer contributions are determined by the scheme actuary (currently the Government Actuary's Department) during the scheme valuation process, at a nationally applied rate of 28.8% for the 2015 Scheme. As the legacy schemes closed to future accrual on 31 March 2022 these contribution rates are no longer in force. The council is required to make payments into the pension fund in respect of ill health retirements when they are granted. No provision has been made for employee and employer contributions for sums due on pay awards not settled. 9

Note 3 - Benefits and refunds

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

Note 4 - 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 5 – Top up grant

The fund was topped up by Government grant of £11.2m in 2023/24 (£13.4m in 2022/23) as contributions were insufficient to meet the cost of pension payments due for the year. £10.0m was received in year leaving an outstanding balance of £1.2m due from government (£4.0m in 2022/23)

GLOSSARY OF TERMS

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.

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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.

Minimum 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.

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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.

Pension Fund accounts to follow

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