Surrey County Council

Statement of Accounts

2021/22

SURREY

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of Surrey County Council (the 'Authority') and its subsidiaries (the 'group') for the year ended 31 March 2022, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet and the Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies, and including the Firefighters' Pension Fund Financial Statements comprising the Firefighters' Pension Fund Account and Net Assets Statements, and related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22.

In our opinion, the financial statements:

• give a true and fair view of the financial position of the group and of the Authority as at 31 March 2022 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;

• have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22; and

• have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

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

Conclusions relating to going concern

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

In our evaluation of the Deputy Chief Executive and Executive Director of Resources' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22 that the Authority and group's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the group and the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the group and Authority and the group and Authority's disclosures over the going concern period.

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

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

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

Other information

The Deputy Chief Executive and Executive Director of Resources is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Authority and group financial statements, the Firefighters' pension fund and, our auditor's report thereon and our auditor's report on the Surrey Pension Fund financial statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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

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

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

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

Matters on which we are required to report by exception

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

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

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

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

- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

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

As explained in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Deputy Chief Executive and Executive Director of Resources. The Deputy Chief Executive and Executive Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Deputy Chief Executive and Executive Director of Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

• We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and Authority and determined that the most significant ,which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003. We also identified the following additional regulatory frameworks in respect of the firefighters. The Public Service Pensions Act 2013, the Firefighters' Pension Scheme (England) Regulations 2014 and the Firefighters' Pension Scheme (England) Order 2006.

• We enquired of senior officers and the Audit and Governance committee, concerning the group and Authority's policies and procedures relating to:

 the identification, evaluation and compliance with laws and regulations;

 the detection and response to the risks of fraud; and

 the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

• We enquired of senior officers, internal audit and the Audit and Governance Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

• We assessed the susceptibility of the Authority and group's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls and any other fraud risks identified for the audit. We determined that the principal risks were in relation to:

 unusual journal entries made during the year and accounts production stage

 the appropriateness of assumptions applied by management in determining significant accounting estimates, such as the valuation of property plant and equipment and the completeness and accuracy of provisions and accruals.

• Our audit procedures involved:

 evaluation of the design effectiveness of controls that the Deputy Chief Executive and Executive Director of Resources has in place to prevent and detect fraud;

 journal entry testing, with a focus with a focus on testing unusual journal entries made during the year and accounts production stage for appropriateness and corroboration;

 challenging assumptions and judgements made by management in its significant accounting estimates in respect of property plant and equipment land and buildings, investment property and defined benefit pensions liability valuations;

 assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

• These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

• The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to property, plant and equipment valuations and completeness and accuracy of accruals and payables.

• Our assessment of the appropriateness of the collective competence and capabilities of the group and Authority’s engagement team included consideration of the engagement team's and component auditor’s.

 understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation

 knowledge of the local government sector

 understanding of the legal and regulatory requirements specific to the Authority and group including:

 the provisions of the applicable legislation

 guidance issued by CIPFA, LASAAC and SOLACE

 the applicable statutory provisions.

• In assessing the potential risks of material misstatement, we obtained an understanding of:

 the Authority and group’s operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.

 The Authority and group's control environment, including the policies and procedures implemented by the Authority and group to ensure compliance with the requirements of the financial reporting framework.

• For components at which audit procedures were performed, we requested component auditors to report to us instances of non-compliance with laws and regulations that gave rise to a risk of material misstatement of the group financial statements. No such matters were identified by the component auditors.

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

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

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

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

Responsibilities of the Authority

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

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

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

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

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

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

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

We cannot formally conclude the audit and issue an audit certificate for Surrey County Council for the year ended 31 March 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2022.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2022.

Use of our report

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

Ciaran McLaughlin

Ciaran McLaughlin, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

London

23 October 2023

EXECUTIVE DIRECTOR'S NARRATIVE REPORT

Over the course of the last year, we have continued to maintain the grip on our finances and risks despite the extraordinary circumstances the Council has been operating in. We have been able to build a financial bedrock for the Council to deal with Covid-19, along with a platform for the county's recovery. Establishing this solid base is a key achievement because it means we have been able to focus on delivering priorities for the County and our residents, without being distracted by threats to our own organisational financial stability in the way that some councils have found themselves having to do. Our hard-won financial resilience was evidenced through the Covid-19 pandemic where our staff worked tirelessly to protect our communities and support the residents and businesses who needed us, confidently, and without fear of financial failure. Although the past two years have inevitably seen a strong focus on supporting Surrey residents throughout the Coronavirus pandemic, we have continued to deliver our other essential service responsibilities. This has created real challenges, but the Council has remained focused on its transformation plans and improving services.

Through our hard work and diligent financial management, we have built a stronger financial base from which to deliver services. We have reduced our financial risk, delivered service improvement, undertaken ambitious investment and built back depleted reserves. We have continued to act responsibly with taxpayer's money; minimising increases in Council Tax whenever possible and delivering services in a more effective and efficient way, so as to provide a stable platform to invest in the county's future. We have been able to take a longer term lens to our decision making as our overall financial position has strengthened despite external challenges.

Moving forward, the finances of the Council are in a strong place to successfully ensure the continued delivery of organisational priorities, as well as increasing financial resilience into 2022/23. We are mindful this resilience will be needed to protect ourselves against increasing inflation rates and other pressures in the current economic environment.

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. A key component of our recent successes has been a determination to recognise our own agency in developing solutions, rather than accept unchallenged the impact of external factors. 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 terms of our delivery, now more than ever, the status quo is simply not acceptable. The Government's national levelling up agenda; to enable everyone to have equal opportunity, wherever they live and whatever their ambition, is what we want to provide for all our residents.

We seek to realise this ambition in Surrey through the Council's mission to ensure that ***no one is left behind*** and that our Community Vision 2030 is delivered. Our focus is on ensuring our finances enable this.

Leigh Whitehouse, Deputy Chief Executive & Executive Director of Resources (s151 officer), Surrey County Council

EXECUTIVE SUMMARY

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:

- **The Council's achievements 2021/22**

Detailing some of our key achievements throughout the past year including the launch of our climate change delivery plan, becoming the first county in England to provide free period products and our progress to improve children's services. The recent Ofsted inspection found that services for children and families in Surrey have improved in all areas meaning that the service is no longer in intervention. The key findings:

- Services for children and families in Surrey have improved in all areas
- The latest inspection, published in a report on 9 March 2022 by Ofsted, found that leaders are implementing a 'clear and comprehensive' improvement programme, based on a thorough understanding of current performance, and are 'determined to continue the trajectory of improvement'.
- In this most recent report, the number of recommendations from Ofsted also more than halved in comparison to the last inspection report in 2018
- Inspectors found that most social workers listen carefully to children and make sure that children's views inform decision-making and when children come into care, they are placed within their wider family if this is possible and in their best interests.
- Most children in care live in long-term homes and make good progress and many care leavers are supported well to live independently, developing confidence and skills to assist them into adulthood.

- **Context about the County**

Surrey has a population of 1.19million people and an economy worth £43.4 billion. The population are largely healthy, active and have a long life expectancy, although inequalities exist across the diverse County.

- **Organisational Strategy**

Surrey County Council's Organisational Strategy defines how the Council will contribute to the Community Vision for Surrey in 2030 and remains focussed on creating better lives, a better place and a county where no-one is left behind. The Organisational Strategy emphasises four priority objectives as a clear focus for the work of the Council. They are:

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

- **The impact of Covid-19 and its Financial Implications**

The Covid-19 pandemic continued to have an impact throughout 2021/22 with the Council continuing to mobilise its resources and expertise to work with partners, providing advice and delivering essential services. The financial cost of the pandemic to the Council in the latest financial year was £99m which was funded by specific grants and emergency funding.

- **Financial Performance - Revenue**

The total gross expenditure for the Council was £2,271m. Funding for this was made up of government funding (£751m), Council Tax (£990m), Fees, charges & other income (£423m) and Business rates (£131m). Expenditure was made on Children, Families, Lifelong Learning and Culture (£634m), Adult Social Care (£609m), Delegated Schools (£351m), Transport & Environment (£202m) and Other areas (£476m). The final outturn for the year is a small surplus of £1m (approximately 0.1% variance to budget).

- **Financial Performance - Capital**

In 2021/22 the final capital programme budget was £185m. The budget was reset at month 4 to increase the capital programme budget for approvals from the pipeline made since the budget was set, mitigate slippage in complex schemes and to reflect more accurately deliverability, taking account of the impact of Covid-19. The budget was reset again at month 10 to £170.6m, to provide a stable baseline for the remainder of the year due to increasing slippage after analysis of deliverability carried out by the Strategic Capital Groups (SCG's). Capital spend for the year against this budget is £162.4m, which represents delivery of 95.2% of the 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

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

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

Population: Surrey has a population of 1.19 million in 474,945 households. The current population is largely healthy and active and has an upwards trend in life expectancy for men and women. By 2030 the population is expected to be 1.21 million, with more than 23% of residents aged 65 and over (21.8% UK comparator) - 47% of whom are anticipated to be living in a residential care home setting.

19.7% aged 0-15
61.1% aged 16-64
19.2% aged 65 and over

12,044 births and 11,390 deaths between 2019 and 2020

Births declined by 13 per cent between 2012-13 to 2019-20

Health and Wellbeing: The county is affluent but with pockets of social deprivation. There are significant inequalities in healthy life expectancy, with a 15-year gap between wards within the county. This gap is linked to deprivation; with healthy life expectancy in the least deprived quartile 4.8 years higher for women and 4.7 years higher for men than in the most deprived quartile. Obesity levels are below national average however they increased by 2% between 2017/18 and 2018/19. In Surrey 16.7% of Reception children (23% UK comparator) and 26.9% of children in Year 6 (35.2% UK comparator) were classed as overweight or obese.

The life expectancy for Surrey residents is higher than the South East and English averages (81.7 years for men and 85.0 years for women)

Life expectancy in Surrey is continuing to rise - Surrey children born in 2018-20 are expected to live over two years longer than Surrey children born in 2001-03

More A&E attendances for children aged 0 to 5 than England & South East since 2013/14

Economy: Surrey's economy is strong and worth approximately £43.5 billion. This grew by 8% since 2017. There is a high job density (local jobs per working age population) at 77.3 (76.4 England comparator, 2020). Median annual pay in full time employment is £42,770 for men (+£5,000 more than the South-East comparator and +£9,000 England comparator). It is £33,996 for women (+£4,000 more than the South-East comparator and +£5,000 more than England comparator, 2021).

Surrey's Gross Value Added (GVA) is £38,286 per person (£31,622 England) (2019)

There are 73,135 local units (i.e. workplaces or individual sites associated with enterprises) (2021) – a reduction of 255 (from 2020)

Education and Skills: Surrey's population is highly educated with 1 in 3 Surrey residents, or 36.2%, having a degree qualification or higher (27.4% England comparator, 2011 census). However, 9.1% of 16-24 year olds have no qualification (10.5% England comparator, 2011 census).

Secondary school results (KS4) (2018/19)

51.4% of pupils achieved a pass in English and maths GCSEs (46.2% South East)

The average point score for Surrey residents (50.2) was higher than the South East (47.9) and England (46.7)

12.5% of pupils* have SEN support

4.2% of pupils* have EHC plans/ statements of SEN

*including pupils from independent and hospital schools

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 69% dissatisfied with the quality of road maintenance. Car ownership is high with only 13.1% of households not owning a car (25.8% England comparator) and 46.4% of households owning more than one car (32.1% England comparator,2011). n average Surrey residents live just 0.6km from green space with recreational opportunities and 80% of residents are satisfied with the quality of maintenance of Surrey countryside for recreation.

Surrey has higher per capita CO_2 emissions than the South East: 4.79 per capita (including large industrial sites, transport, & land-use) (4.41 South East) (2019)

Surrey residents are less likely to use public transport – e.g. 22.7 annual journeys on the bus (38.2 South East, 246.7 London) (2018/19)

Around 55% of household waste has been sent for reuse,recycling, or composting since 2015/16

Housing: Housing in Surrey is increasingly expensive, with an average house price in September 2021 of £551,332 (£315,475 England comparator, 2021). This means an entry level house requires a deposit which is 11.3 times higher than the average monthly salary (6.5 times England comparator, 2017). 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.

House ownership is high in Surrey (72.9%) compared to England (63.4%) with around half of these houses being owned outright 12.2% of houses are private rented (15.4% England) and 11.4% are social rented (17.7% England) (2011 Census)

More than 2 in 3 of premises have Ultra-Fast Broadband or faster (greater than the national average)

Crime: Surrey is one of the 10 safest counties in England, Wales and Northern Ireland. Recorded offences (per 1,000 residents) were below England averages, March 2021 – February 2022.

Anti-social behaviour incidents were 17.1 (19.4 England comparator), violent and sexual crime was at 23.5 (31.6 England comparator), public order offences were 7.8 (8.0 England comparator) and burglary was at 7.6 (9.0 England comparator).

Fewer overall crime offences than England (77.8 per 1,000 residents compared to 94.1 for England)

Fewer offences in Surrey involve knives, sharp objects or firearms than England

41 offences (per 100,000 population) recorded by the police included a knife or sharp instrument compared to 53 for South East and 79 for England

3 offences (per 100,000 population) recorded by the police included firearms (excluding air weapons) compared to 4 for South East and 10 for England

(Apr 2020 to Mar 2021)

ORGANISATION STRATEGY 2022-2027

Surrey County Council's Organisation Strategy 2021-2026 sets out our contribution to this Vision providing a clear strategic direction for the Council.

Since 2018, we have made tremendous progress in transforming the Council and ensuring financial stability and sustainability. Building on these strong foundations, the Strategy continues the work that has enabled the Council to provide high quality services and deliver efficiencies, while at the same time responding to, and now leading recovery from, the Covid-19 pandemic. However, we continue to face financial challenges alongside rising demand for services, a situation that has worsened as a result of Covid-19.

Our primary responsibility as a Council is the effective and efficient delivery of excellent quality core services, such as Children's Social Care, that support residents and improve the lives of the most disadvantaged. However, the important role we play in ensuring no one is left behind cannot solely be delivered by core services due to many residents never needing to access these, and the big challenges the county faces needing a strategic focus that cuts across everything we do in the Council.

To have a meaningful impact on the lives of all residents and become a truly outstanding organisation that goes beyond what we are required to do as a county council, we need to focus on a small number of priorities where we can create the conditions for core services to thrive.

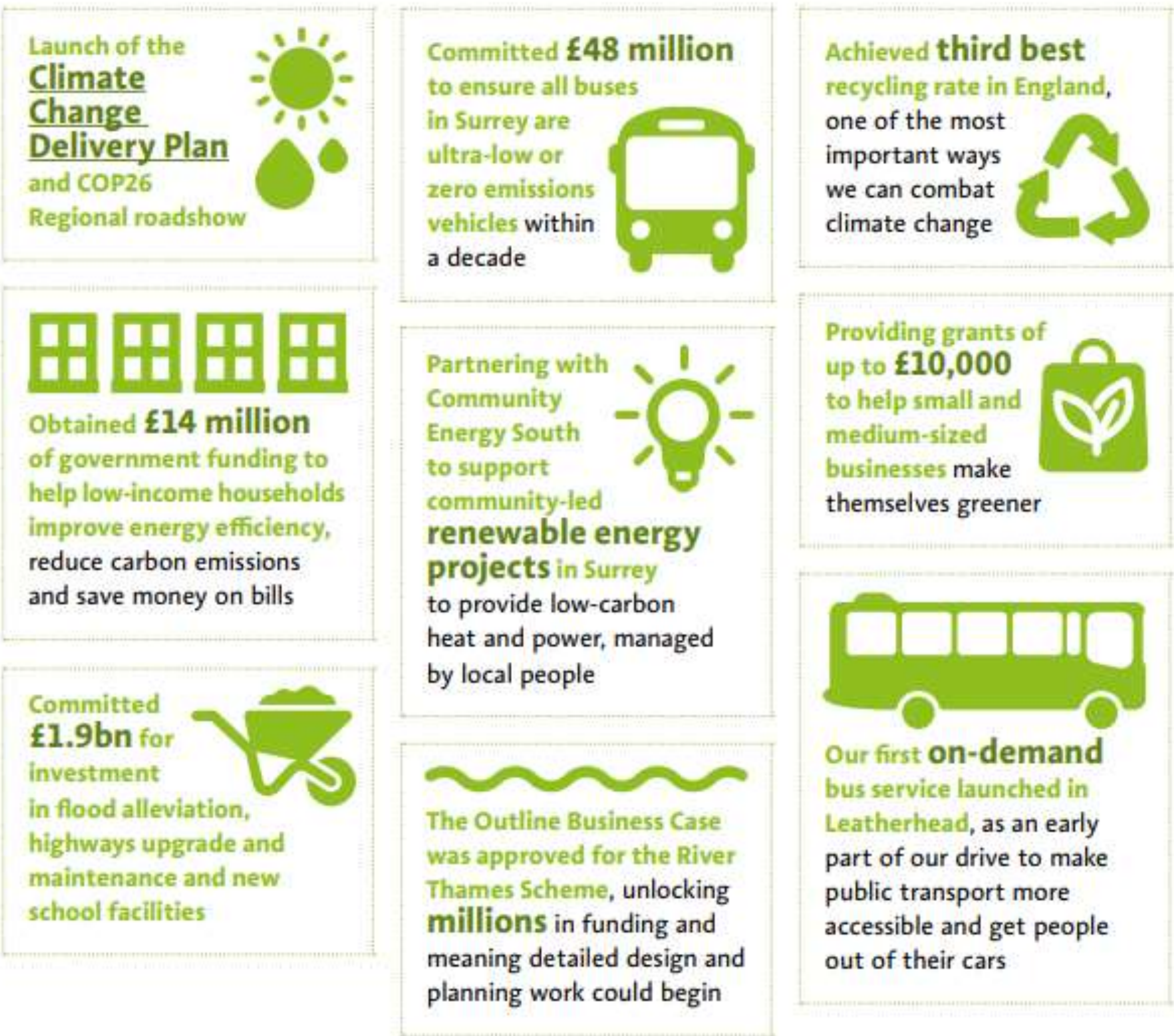
To do this, our Organisation Strategy sets out four priority objectives, based on extensive research and engagement, reflecting where we believe we can have the greatest impact on improving outcomes for people living and working in the county.

Running through all four of the priority objectives is a theme of addressing inequality. The Strategy reaffirms this commitment to tackling inequality as the guiding principle for everything the Council does, as well as setting out our equality and inclusion objectives.

Delivering these strategic priorities requires delivery of good quality and sustainable core services as the foundational building blocks. Progress towards delivering our priority objectives should also begin to positively affect the demand for many of our core services. This focus will mean we can better align our resources and activity to delivering the outcomes that will make the most difference to the lives of residents, and ensure we are doing this in the most financially sustainable way.

THE COUNCIL'S PERFORMANCE ACHIEVEMENTS 2021/22

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



Two-thirds of our day-to-day spending is on adult social care, children's services and public health and aimed at reducing health inequalities

The Youth Justice Board commended the work we have done to improve youth justice services and formally **de-escalated** Surrey from YJB priority status

We produced a new strategy for supporting older people to carry on living **independently** for as long as possible, in their community

Working with partners to tackle the impact of education, housing, the built environment, air quality and healthy workplaces on physical and mental **health** of residents

Two inspections from Ofsted this year have illustrated that Surrey's children's services are on a **significant improvement** journey and responded swiftly to the challenges of COVID-19

To increase local opportunities for young people we have handed the management of **12** youth centres to the voluntary, community and faith sector

With Surrey Heartlands, we have established a network linking more than **150** groups and individuals to support mental health through nature-based "green" social prescribing

We became the first county in England to provide **free** period products and the first county council in the UK to start eradicating period stigma

Delivered **290** new specialist school places as part of our commitment to helping children with special educational needs and disabilities go to school in their areas.

Working with partners, we completed a wide-ranging review of the mental health system in Surrey which paved the way for a major **improvement** programme

With local health organisations, we're putting into action a three-year strategy to **improve** the lives of unpaid carers

COVID – we've continued to lead the response to COVID-19, working with partners across Surrey to administer vaccines, deliver test and trace through customer services, support the vulnerable, ensure schools remain open safely, and warn and inform the public

Surrey Fire and Rescue Service's latest inspection report commended the **improvement** in the service, the Making Surrey Safer Plan, prevention and protection work and financial plans

Developing a five-year modernisation plan for libraries across the county, to keep all **52** of them at the heart of their local communities

Identified places for **105** and housing for **46** individuals from Afghanistan through working with Government and partners, providing welfare, education and housing support

Delivered **£90m** of efficiencies through our Transformation programme since 2018 to ensure a financially stable and sustainable council

Combating **poverty** through a new strategy to identify those in need and work closely with partners on solutions

Working with communities to reimagine our high streets through simple and reliable transport, beautiful and welcoming environments, and flexible spaces to encourage new **opportunities**

Convened the **Surrey Forum** with partners to work on delivering our Community Vision 2030

Through the One Surrey Growth Board, established a strong long-term economic strategy, endorsed by local business and partners and revitalising our Surrey Inward Investment Service to bring new **jobs** into Surrey

Three projects have already been approved as part of our **£100 million** Your Fund Surrey scheme, with 21 more being taken forward for further development

SCC has moved out of County Hall in Kingston and back into Surrey, **closer** to residents, for the first time in 50 years

Bringing business, universities and other authorities together through the Surrey Growth Board to enable stronger, more sustainable **growth**

Invested **£500k** to find the barriers faced by excluded groups trying to enter the jobs market and setting up employer led initiatives to address these issues

Working with Community Foundation for Surrey, we turned £700,000 of public money into over **£1.3million** of benefits for some of the most vulnerable in the county, reaching over **13,000** people to improve health and wellbeing, address climate change and support the economy

COVID-19

The Covid-19 pandemic continued to have an impact throughout 2021/22, with Tier 4 restrictions in place at the beginning of the financial year and Plan B measures in place, as a result of the Omicron variant, over the Christmas period and early part of 2022. Following the reduction in the transmission of the Omicron variant throughout February 2022, Surrey's Covid Management Group (CMG) was stood down on 1st March 2022. Surrey Heartlands Integrated Care System (ICS) Emergency Preparedness, Resilience and Response (EPRR) Board resumed on 9th March 2022 for continued oversight and management of the pandemic response.

This oversight by all partners is detailed in the Surrey Local Outbreak Management Plan (LOMP), which builds on existing health protection plans and national guidance, supported by weekly publication of intelligence.

Our delivery during 2021/22 focussed on two aspects, vaccination and testing. The vaccination programme in Surrey delivered a total of 2.1+ million Covid-19 vaccinations via Surrey Heartlands. This consisted of 789,000 first doses, 729,000 second doses, 599,000 booster doses & 22,000 second booster doses to the 5th April 2022. Booster vaccinations for 16 plus are at 86% (South-East region comparator 85.1%). Second booster vaccinations are at 17.4% (South-East region 17.1% comparator). In addition, 68% of children aged 12 to 15-year-olds have now received their first vaccination.

Whilst the Government provided universal free access to Covid-19 testing, in 2021/22 the Surrey Covid-19 testing programme provided a coordinated and partnership-led symptomatic and symptom-free testing. This enabled residents to have high quality, timely and accessible testing and information, aligned with national testing programmes and best practice. Provision of symptomatic testing was targeted to high-risk settings, such as locations with high prevalence, prisons and care homes. In December, when testing demand peaked in response to the Omicron variant, utilisation at our Mobile Testing Units was running at up to 200% capacity and in the week before Christmas testing sites in Surrey provided 37,437 PCR tests (W/C 18.12.21).

Provision of symptom-free testing was targeted to support groups considered to be under-represented or disproportionally impacted by Covid-19, these interventions were delivered with community partners, such as pharmacy and the voluntary sector. Through this delivery model we distributed over 6 million lateral flow tests to those who needed to access them most.

COVID-19 FINANCIAL IMPLICATIONS

Surrey County Council has continued to play a key role in tackling the virus and financial implications were felt in the form of additional costs, reduced income and the achievability of some efficiencies. The total financial impact of Covid-19 in 2021/22 is £99.4m (£137m 2020/21 comparator). The main costs were incurred by Adult Social Care, Children, Families & Lifelong Learning and Public Health.

This expenditure was funded by a combination of specific grant funding (£75.7m) for example the Contain Outbreak Management Fund, grants to social care providers and the Household Support Grant. The remaining £23.6m has been funded through general Covid-19 emergency funding. There remains £5.9m available in reserves for future Covid-19 risks.

Whilst most legal restrictions have been removed there is still uncertainty around aspects such as Variants of Concern and we will continue to monitor the situation closely. It is expected the impact will continue to be felt in medium-term financial planning which will be significantly more challenging than would have been the case prior to the emergence of the virus.

FINANCIAL PERFORMANCE

The final outturn for the year is a small surplus of £26m (approximately 2.7% variance to budget). Further detail on delivery of efficiencies and the overall outturn position is set out in the 2021/22 Outturn Financial Report to Cabinet on 1st June 2022.

There are accounting adjustments for capital, pensions and reserves that lead to a surplus of £26m (deficit £42m 2020/21) in the Comprehensive Income and Expenditure Statement. 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, as reflected in the positive outturn position, despite the extraordinary circumstances the Council has been operating in over the course of the financial year. The outturn position, and a continuation of the strategy to not require the use of reserves to support our revenue budget, indicates the finances of the Council are in a strong place to successfully ensure the continued delivery of organisational priorities, as well as increasing financial resilience into 2022/23.

Despite this backdrop, the medium-term outlook remains challenging with a continuation of significant budgetary pressures and a budget gap of at least £150m over the next 5 years to 2026/27, as set out in the Medium Term Financial Strategy. In addition to continued funding uncertainty and demand pressures in some of our key services, there are economic pressures as we enter 2022/23, the impact of which are yet to be fully factored into the Medium Term Financial Strategy.

Addressing future challenges

Each year we provide a contingency in the base budget to allow us 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. The assumption is that if the contingency is not required in full in any given year, then it is transferred to reserves, in order to form part of our medium-term plan to maintain financial resilience.

Through strong financial management, the final quarter of the financial year confirmed that the £20m contingency for 2021/22 budget would not need to be utilised to support the revenue budget within the financial year itself. Consideration has therefore been given to the options to utilise this budget to provide additional financial resilience in 2022/23 and beyond. Reserves and contingencies have been reviewed, alongside an assessment of specific additional pressures emerging for 2022/23 since the budget was set and noting the general future financial turbulence over the medium term.

The budget was set during a period of continuing economic recovery from the coronavirus pandemic. However, since the MTFS was approved, the conflict in Ukraine has added further volatility and contributed to rising and persistent inflation and higher interest rates. The Ofgem price cap rise in April 2022 resulted in a significant rise in energy and fuel prices which has been a significant factor in the increasing inflation rates, with a further cap rise anticipated in October 22.

Alongside the economic context, since the 2022/23 budget was set, a number of external and internal developments have resulted in a review of the base assumptions. There remains uncertainty over the sustained impact of Covid-19 and emerging costs relating to the refugee crisis. Additional financial modelling has been undertaken in relation to the recently announced social care reforms, highlighting the potential scale of the pressures and in addition we have seen continuing pressures on SEND Transport services over what was factored in to the 2022/23 budget.

There is an increased likelihood, as a result of these factors, that some call will need to be made on the contingency or reserves in the coming year. The £19.5m of the unutilised 2021/22 contingency budget has therefore been transferred to the General Fund Balance to enhance resilience and enable future drawn down to fund pressures, if required.

2021/22 Revenue spending and budget performance

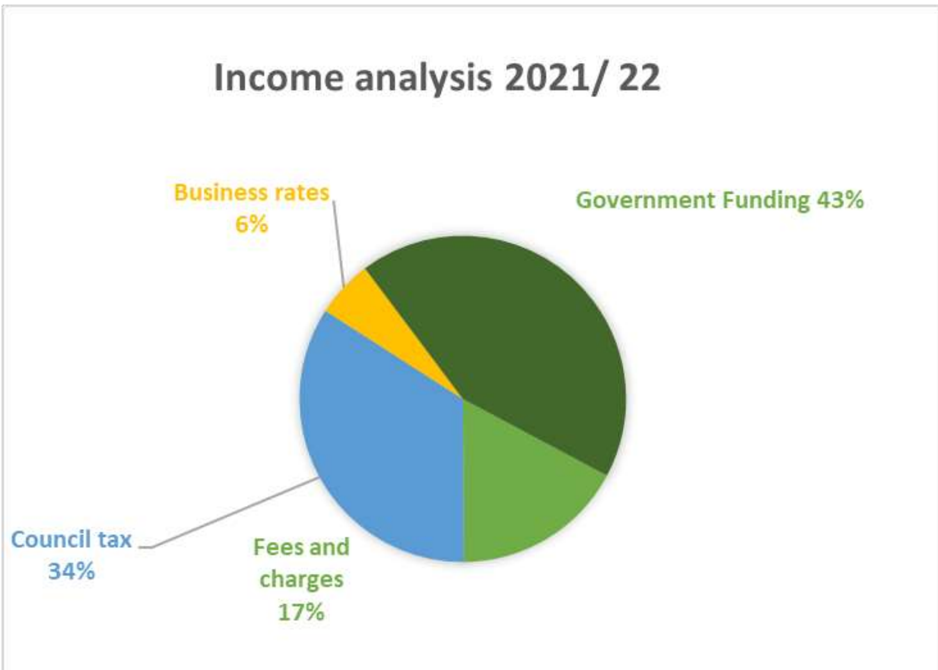
Efficiencies

The Council achieved £32.1m (c78%) of the £41.2m target of efficiencies set out at the beginning of the financial year, including those delivered through transformation programmes. 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 £133m.

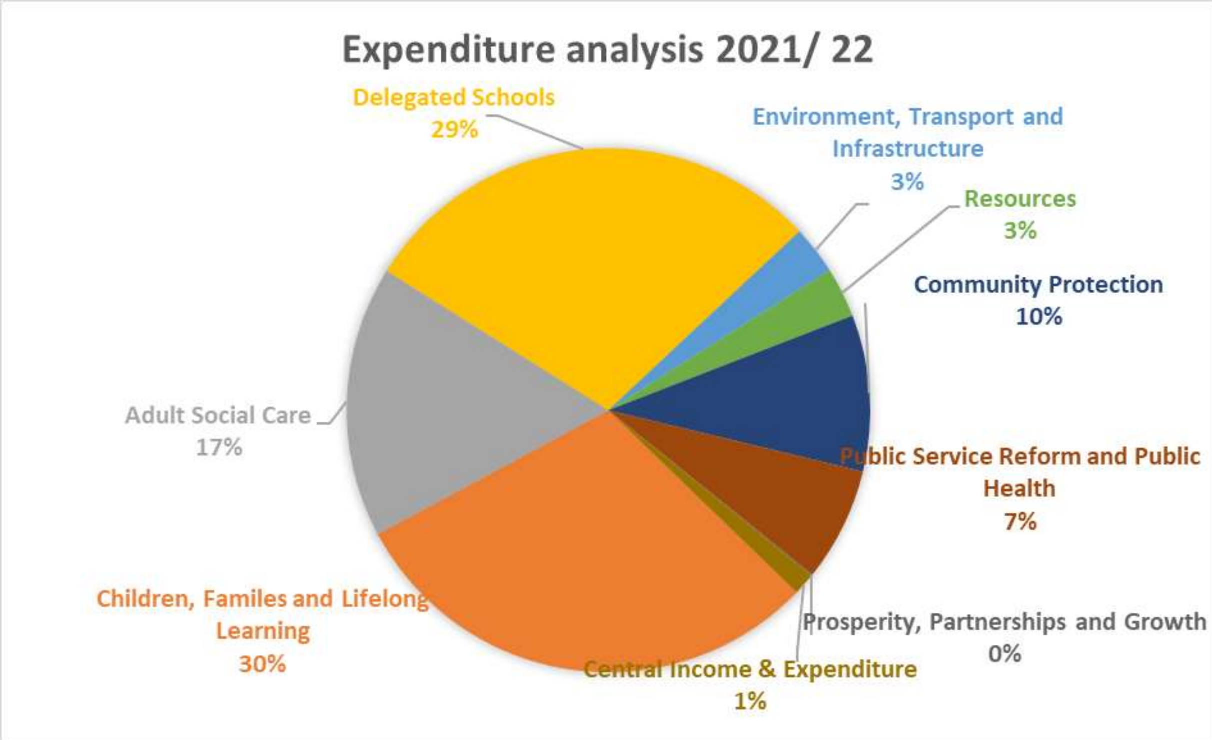
Existing service focused approaches have been successful in delivering efficiencies but are now largely exhausted. We therefore developed a 'twin track' approach, running the 2022/23 budget setting process while simultaneously developing a new, innovative outlook to 2023/24 onwards that will help put the council on a more stable financial footing over the medium term. We will develop the 2023/24 budget with staff, members (including scrutiny), partners and residents. We have started to lay the initial foundations, identifying opportunities for cross cutting efficiencies and setting in train a fundamentally more ambitious transformation programme.

Revenue Expenditure and Funding

The chart below shows the split of income by core sources for 2021/22:



The chart below shows the split of expenditure across directorates for 2021/22:



BALANCE SHEET

The Council holds £2,414m of long-term assets at 31st March 2022 (£2,333m as at 31st March 2021), 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 £1,923m at the balance sheet date (£2,171m at 31st March 2021; a decrease of £248m). The firefighters pension liability is also included within the Council's Accounts and is estimated to be £660m, an decrease of £36m on the previous year. 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 £497m (2020/21 £443m). This is an increase of £54m from 31st March 2021, due largely to £50m of long term PWLB debt, sourced in March 2022
- Short-term borrowing, mainly from other Local Authorities, has decreased to £228m (2020/21 £286m), as part of the financing strategy for the Council's Capital Programme

Balance Sheet

As at 31st March 2021

Total Assets £2,552m

Long Term Assets £2,333m				Current Assets £218m	
Property, Plant & Equipment £1,865m	Other Long term Assets £9m	Investment Property £122m	Long Term Debtors and Investments £337m	Debtors & Payments in Advance £139m	Cash & cash equivalents and others £80m

Offset by:

Total Liabilities £3,317m

Current Liabilities £585m			Long Term Liabilities £2,732m		
Short term borrowing £285m	Creditors £254m	Other Liabilties and Provisions £45m	Long term Borrowing (loans) and provisions £443m	Pension Fund Liabilities £2,171m	Other long term liabilities (Lease liabilities etc) £118m

Makes:

Total net liabilities £765m

Surrey County Council Assets £1,406m	Surrey Pension Fund Liabilities £2,171m

Funded by:

Total Reserves (£765m)

Useable Reserves £553m				Unuseable Reserves (£1,319m)	
General Fund £28m	Revenue Reserves £315m	Capital Reserves £159m	Schools Reserves £51m	Pension Reserve (£2,171m)	Other Reserves £897m

Balance Sheet

As at 31st March 2022

Total Assets £2,805m

Long Term Assets £2,414m				Current Assets £391m	
Property, Plant & Equipment £1,940m	Other Long term Assets £4m	Investment Property £131m	Long Term Debtors and Investments £339m	Debtors & Payments in Advance and others £219m	Cash & cash equivalents and others £172m

Offset by:

Total Liabilities £2,994m

Current Liabilities £525m			Long Term Liabilities £2,468m		
Short term borrowing £238m	Creditors £260m	Other Liabilities and Provisions £27m	Long term Borrowing (loans) and provisions £500m	Pension Fund Liabilities £1,887m	Other long term liabilities (Lease liabilities etc) £81m

Makes:

Total net liabilities £189m

Surrey County Council Assets £1,698m	Surrey Pension Fund Liabilities £1,887m

Funded by:

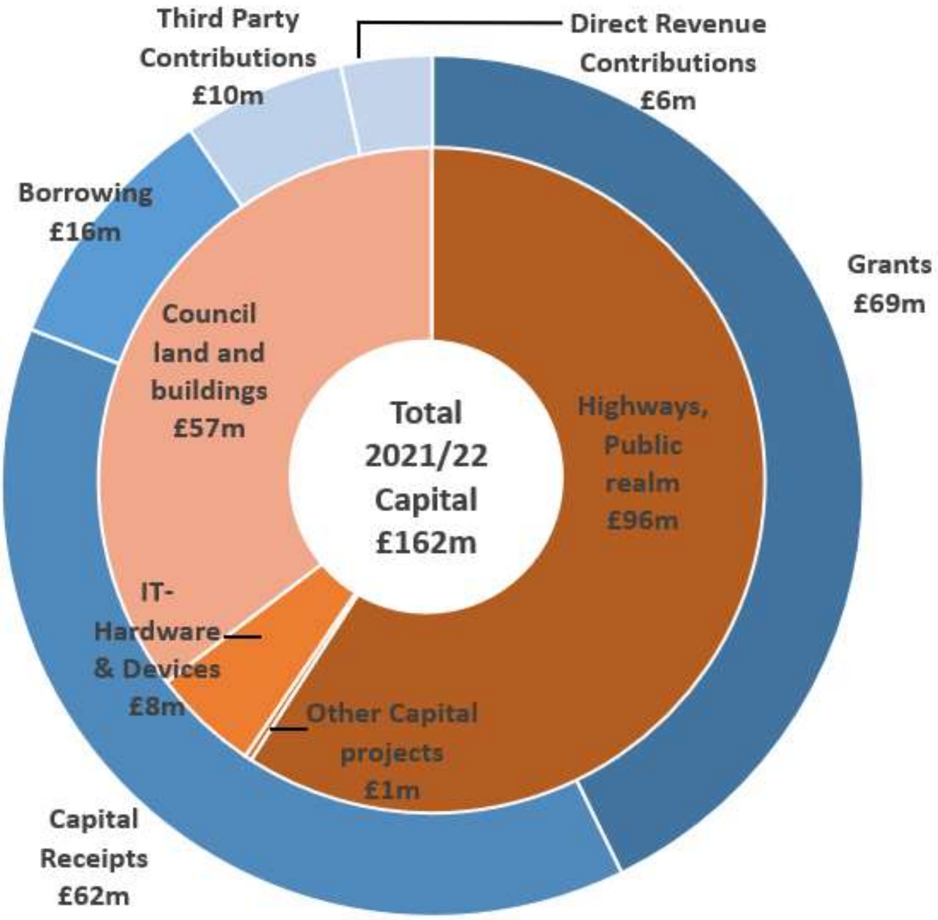
Total Reserves (£189m)

Useable Reserves £651m				Unuseable Reserves (£840m)	
General Fund £48m	Revenue Reserves £361m	Capital Reserves £190m	Schools Reserves £52m	Pension Reserve (£1,887m)	Other Reserves £1,047m

CAPITAL

The Council set a capital budget for 2021/22 of £185m in February 2021. The budget was reset at month 4 and then again at month 10 to £170.6m, to provide a stable baseline for the remainder of the year due to increasing slippage after analysis of deliverability carried out by the Strategic Capital Groups (SCG's). Capital spend for the year against this budget is £162.4m, which is a variance of £8.2m against the re-set budget (4.8%). This includes £5.2m of spend not managed by the SCG's, consisting primarily of commercial spend and Delegated Schools budgets.

Schemes directly managed by the SCGs had Capital Programme spend of £157.2m; variance to re-set budget of £13.4m (8%). The variance was made up of £12.8m net slippage and a net underspend of £0.6m. The below chart highlights the capital funding (blue segments) against expenditure (brown segments).



Looking forward

The Council has an ambitious five-year capital investment programme totalling £1.2bn making Surrey a place fit for the future. There is also £0.9bn 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 (OVER 5 YEAR MTFS)

Infrastructure

£200m
Highway Maintenance
Improvements to roads and footways

£100m
Surrey Flood Alleviation
River Thames Scheme

£51m
Bridge/Structures Maintenance
Improvements and safety maintenance

£44m
A320 North of Woking and Junction 11 of M25
Road and junction improvements

£27m
Ultra Low Emission Vehicles (Buses)
Investment in low emission buses across Surrey

Property

£139m
Schools Basic Need
Increasing school places and building schools

£82m
Schools Maintenance
Maintaining existing school buildings

£64m
SEND Strategy (Phases 1-3)
Increasing provision for special education needs and disability in schools

£56m
Property Maintenance
Maintenance of community facilities, buildings and offices

£34m
Looked After Children Schemes
Increasing capacity and quality of residential homes for children

STRATEGIC RISKS FOR UPCOMING YEAR AND GOVERNANCE

Risk management is a key component in the running of a successful organisation and Surrey County Council recognises that understanding risks is critical to good decision making. 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 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
- Contractual dispute leads to financial loss

Organisational Resilience

- Deliberate and / or targeted cyber attack
- Commissioned service is unable to continue to provide a service
- Unavailability of National 'infrastructure components'
- Severe weather events leading 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
- Failure to deliver major infrastructure and maintain assets
- Insufficient measures implemented to deliver carbon emissions reductions

Social Care

- Resurgence of Covid-19 (variant) which leads to a major health crisis
- Cost of Living reducing living standards
- Inability to meet an increasing level of demand for services
- Not delivering sufficiently good quality 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 2022. 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 2021/22, 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.

MATERAL ITEMS & GROUP ACCOUNTS

Details of specific material items of income and expenditure include:

- Government grant and Council Tax income (note 12)
- A change in the Code of Practice for 2020/21 requiring councils to show accumulated DSG deficit (£57.9m in 2021/22, £62.6m in 2020/21) as an unusable reserve (note 23)De-recognition of academy schools – when a school changes status to an academy, the ownership of the land and buildings transfers from the Council to the school. The assets are written out of the balance sheet and an accounting 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 (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, to make property investments
- Henrietta Parker Trust – the Council exercises control over this trust fund, the income of which supports adult learning

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

Statement of Responsibility

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

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

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the local authority Code

The S151 Officer has:

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

Certification

I certify that the statement of accounts set out on pages 21 to 126 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 2022; 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 2022; that the statement of accounts on pages 139 to 184 presents a true and fair view of the financial position of the Surrey County Council Pension Fund at 31st March 2022 and its income and expenditure for the year then ended.

Leigh Whitehouse

Deputy Chief Executive and Executive Director of Resources (S151 Officer)

Chairman of Audit & Governance Committee

Comprehensive Income and Expenditure

Year ended 31 March 2021 (Restated) Gross Expenditure £000	Income £000	Net Expenditure £000		Year ended 31 March 2022 Gross Expenditure £000	Income £000	Net Expenditure £000
636,743	(280,569)	**356,174**	Children, Families, Learning & Culture	634,618	(298,912)	335,706
293,951	(305,229)	**(11,278)**	Delegated Schools	350,672	(344,916)	5,756
600,342	(191,626)	**408,717**	Adult Social Care	608,460	(199,567)	408,893
41,266	(46,823)	**(5,557)**	Public Health	62,749	(66,556)	(3,807)
54,336	(8,310)	**46,026**	Community Protection	64,466	(8,951)	55,515
209,569	(26,263)	**183,306**	Transport & Environment	201,723	(22,883)	178,840
89,804	(44,097)	**45,706**	Resources	147,214	(78,715)	68,499
1,631	(481)	**1,151**	Transformation, Partnership & Prosperity	1,449	(33)	1,416
24,104	(18,498)	**5,606**	Central Income & Expenditure	259	(54,102)	(53,843)
1,951,747	**(921,896)**	**1,029,850**	**Cost of Services – continuing operations**	**2,071,610**	**(1,074,635)**	**996,975**
18,854	(28,364)	**(9,510)**	Other Operating Income & Expenditure (note 10)	73,041	(41,684)	**31,357**
151,269	(63,654)	**87,615**	Financing & Investment Income & Expenditure (note 11)	126,909	(67,745)	**59,161**
	(837,747)	**(837,747)**	Local Taxation (Note 12)		(917,667)	**(917,667)**
	(183,067)	**(183,067)**	General grants & contributions (note 12 and note 31)		(229,252)	**(229,252)**
	(1,020,814)	**(1,020,814)**	Taxation, general grants & contributions		(1,146,919)	**(1,146,919)**
2,121,870	**(2,034,728)**	**87,142**	**(Surplus) or Deficit on Provision of Services**	**2,271,557**	**(2,330,983)**	**(59,426)**
		(63,006)	(Surplus) or deficit on revaluation of non-current assets			**(95,033)**
		463,695	Remeasurement of the net defined benefit liability			**(422,097)**
		400,689	**Other Comprehensive Income & Expenditure**			**(517,130)**
		487,831	**Total Comprehensive Income & Expenditure**			**(576,556)**

Comprehensive Income and Expenditure

Between 2021/22 and 2020/21 there was a restructure in July 2021 which meant that Transformation, Partnership and Prosperity was split into Public Service Reform and Public Health, Resources and Prosperity, Partnerships and Growth. The 2020/21 figures have been restated.

Movement in Reserves Statement

2021/22	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 2021	(394,029)	(64,463)	(94,961)	(553,453)	1,318,816	765,363
(Surplus) or deficit on provision of services (accounting basis)	(59,426)	0	0	(59,426)	0	(59,426)
Other comprehensive income & expenditure	0	0	0	0	(517,130)	(517,130)
Total comprehensive income & expenditure	(59,426)	0	0	(59,426)	(517,130)	(576,556)
Adjustments between accounting basis & funding basis under regulations (note 8)	(7,804)	63,681	(94,224)	(38,347)	38,347	0
Increase/decrease in year	(67,230)	63,681	(94,224)	(97,773)	(478,783)	(576,556)
Balance at 31 March 2022	(461,259)	(782)	(189,185)	(651,226)	840,034	188,808
2020/21						
Balance at 1 April 2020	(315,990)	(44,970)	(93,078)	(454,038)	731,571	277,535
(Surplus) or deficit on provision of services (accounting basis)	87,142	0	0	87,142	0	87,142
Other comprehensive income & expenditure	0	0	0	0	400,689	400,689
Total comprehensive income & expenditure	87,142	0	0	87,142	400,689	487,831
Adjustments between accounting basis & funding basis under regulations (note 8)	(165,181)	(19,493)	(1,883)	(186,557)	186,557	0
Increase/decrease in year	(78,039)	(19,493)	(1,883)	(99,415)	587,246	487,831
Balance at 31 March 2021	(394,029)	(64,463)	(94,961)	(553,453)	1,318,817	765,364

Balance Sheet

As at 31.03.2021 £000		Note:	**As at 31.03.2022 £000**
1,864,997	Property, plant & equipment	13	1,939,331
1,024	Heritage assets		1,024
122,312	Investment property	14	131,240
7,957	Intangible assets		3,588
96,051	Long term investments	16	97,036
241,079	Long term debtors	16	242,176
2,333,420	**Long term assets**		**2,414,395**
	Short Term:		
0	Intangible assets		0
0	Assets held for sale	19	27,710
1,441	Inventories		1,255
138,611	Short term debtors	17	189,611
78,218	Cash & cash equivalents	18	171,944
218,270	**Current Assets**		**390,520**
	Short Term:		
(286,176)	Borrowing	16	(237,996)
(253,735)	Creditors	20	(260,381)
(3,949)	Provisions	21	(3,480)
(23,947)	Revenue grants receipts in advance		(1,511)
(34)	Capital grants receipts in advance		(34)
(17,249)	Other current liabilities	35	(21,771)
(585,090)	**Current liabilities**		**(525,173)**
(22,253)	Provisions	21	(13,022)
(442,957)	Long term borrowing	16	(487,281)
(2,266,753)	Other long term liabilities	35	(1,968,246)
(2,731,963)	**Long term liabilities**		**(2,468,549)**
(765,363)	**Net Assets/(Liabilities)**		**(188,808)**
(553,453)	Usable reserves	9,22	(651,226)
1,318,816	Unusable reserves	23	840,034
765,363	**Total Reserves**		188,808

Cash Flow Statement

31/03/2021 £000		Note	31/03/2022 £000
(87,142)	Net surplus or (deficit) on the provision of services		59,426
290,902	Adjustment to surplus or deficit on the provision of services for noncash movements	40	199,815
(133,328)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	40	(156,622)
70,432	Net Cash flows from operating activities		102,619
(93,491)	Net Cash flows from Investing Activities	41	10,340
47,088	Net Cash flows from Financing Activities	42	(19,233)
24,029	Net increase or decrease in cash and cash equivalents		93,726
54,189	Cash and cash equivalents at the beginning of the reporting period		78,218
78,218	Cash and cash equivalents at the end of the reporting period		171,944

Note that the disclosures for the year to March 2021, have been restated for comparative purposes. Surrey County Council has used the CIPFA Cash Flow model for the first time in 2021/22. In addition the use of this new model has increased the cash flow disclosure notes showing additional information. The opening and closing balances have not changed and the cash and cash equivalent figures in the statements have not changed. The disclosures have changed to reflect the CIPFA cash flow model.

The cash flows from operating activities in 2021/22 include interest received of £15.6m (2020/21, £15.3m) and interest paid of £18.1m (2020/21, £32.7 m).

Note 1: Expenditure and Funding Analysis

2021/22	As reported for resource management in outturn report	Adjustments to arrive at the net amount chargeable to the General Fund***	Net Expenditure Chargeable to the General Fund	Adjustments between the funding and accounting basis	Net Expenditure in the I&E Account
	£000	£000	£000	£000	£000
Children, Families, Learning and Culture	267,117	55,695	322,812	12,894	335,706
Delegated Schools*	0	(7,612)	(7,612)	13,368	5,756
Public Health	34,093	(38,557)	(4,464)	657	(3,807)
Adult Social Care	368,842	(43)	368,799	40,094	408,893
Community Protection	40,128	2,957	43,085	12,430	55,515
Transport & Environment	129,921	815	130,736	48,104	178,840
Resources	99,249	(4,740)	94,509	(26,010)	68,499
Transformation, Partnership & Prosperity	1,276	(15)	1,261	155	1,416
Central Income & Expenditure **	(29,136)	174,233	145,097	(167,788)	(22,692)
	911,490	182,733	1,094,223	(66,096)	1,028,127
Other Income and Expenditure	(912,344)	(249,109)	(1,161,453)	73,900	(1,087,533)
Surplus (-) or deficit	(854)	(66,375)	(67,229)	7,804	(59,426)

2020/21					
	£000	£000	£000	£000	£000
Children, Families, Learning and Culture	269,991	(31,473)	238,518	66,875	305,393
Delegated Schools*	0	(3,654)	(3,654)	509	(3,145)
Public Health	32,248	0	32,248	66	32,314
Adult Social Care	372,580	(186)	372,394	9,236	381,630
Community Protection	38,214	(182)	38,032	359	38,391
Transport & Environment	135,153	(4,661)	130,492	47,972	178,464
Resources	71,966	(4,643)	67,323	42,195	109,518
Transformation, Partnership & Prosperity	24,983	106	25,089	9,283	34,372
Central Income & Expenditure **	75,845	(27,511)	48,334	(61,509)	(13,175)
	1,020,980	**(72,204)**	**948,776**	**114,986**	**1,063,762**
Other Income and Expenditure	(1,024,858)	(1,958)	(1,026,816)	50,196	(976,620)
Surplus (-) or deficit	**(3,878)**	**(74,162)**	**(78,040)**	**165,182**	**87,142**

The Transformation, Partnership and Prosperity directorate was part of a restructure for 2021/22 and some of the operations were moved into other directorates during that year.

General fund balance (including earmarked) reserves reconciliation

2020/21 £000		2021/22 £000
(267,356)	Opening general fund balance (including earmarked reserves)	(394,029)
(48,632)	Adjustment to opening balance for DSG Adjustment Account	0
(315,990)	Revised Opening Balance	(394,029)
(78,039)	(Surplus)/Deficit on general fund	(67,230)
(394,029)	**Closing general fund balance (including earmarked reserves)**	(461,259)

*Delegated schools budget is reported net of specific grants.

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

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

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

Note 1a: Note to the Expenditure and Funding Analysis

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1)	Net change for the Pensions Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments
2021/22	£000	£000	£000	£000
Children, Families, Learning and Culture	20,430	18,197	(25,733)	12,894
Delegated Schools*	532	12,836	0	13,368
Public Health *	0	643	14	657
Adult Social Care	(157)	15,769	24,482	40,094
Community Protection	1,723	5,434	5,273	12,430
Transport & Environment	34,687	5,210	8,207	48,105
Resources	23,642	18,146	(67,798)	(26,010)
Transformation, Partnership & Prosperity	0	155	0	155
Central Income & Expenditure **	(158,539)	(27,371)	18,122	(167,788)
Net Cost of Service	(77,682)	49,018	(37,433)	(66,096)
Other Income and Expenditure	2,525	89,682	(18,307)	73,900
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure surplus or deficit	(75,157)	138,700	(55,740)	7,804

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1)	Net change for the Pensions Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments
2020/21	£000	£000	£000	£000
Children, Families, Learning and Culture	18,205	12,833	35,836	66,874
Delegated Schools	509	0	0	509
Public Health	0	62	4	66
Adult Social Care	(294)	9,493	37	9,235
Community Protection	1,626	(1,282)	15	360
Transport & Environment	45,101	2,870	1	47,972
Resources	38,190	4,045	(40)	42,195
Transformation, Partnership & Prosperity	7,217	2,028	38	9,283
Central Income & Expenditure	(58,007)	(3,501)	(1)	(61,509)
Net Cost of Service	**52,547**	**26,548**	**35,890**	**114,985**
Other Income and Expenditure	(37,536)	38,102	49,630	50,196
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure surplus or deficit	**15,011**	**64,650**	**85,520**	**165,181**

Notes to the Financial Statements

Note 1: Adjustments for Capital Purposes

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

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

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

Taxation and non-specific grant income and expenditure –

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

Note 2: Net Change for the Pensions Adjustments

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

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

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

Note 3: Other Differences

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

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

Note 1b: Customer income - segmental analysis

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

2020/21 £000	Service	2021/22 £000
(12,595)	Children, Families, Learning and Culture	(11,081)
(13,595)	Delegated Schools	(20,453)
(65,583)	Adult Social Care	(77,468)
(3,389)	Community Protection	(4,204)
(12,190)	Transport & Environment	(13,262)
(16,105)	Resources	(25,673)
(502)	Transformation, Partnership & Prosperity	0
0	Central Income & Expenditure	0
(123,959	Total	(152,141)

Note 2: Income and expenditure analysed by nature

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

2020/21 £000	**Expenditure**	**2021/22 £000**
516,408	Employee benefits expenses	530,992
177,711	Staff expenditure at voluntary aided and foundation schools	188,864
81,107	Depreciation, amortisation and impairment	92,385
11,009	Loss in fair value of investment properties	0
42,656	Derecognition of non-current assets	14,055
1,195,604	Other service expenses	1,325,816
96,136	Interest payments	118,355
1,239	Precepts and levies	1,090
2,121,870	**Total expenditure**	**2,271,557**
	Income	
(814,006)	Government grant and contributions	(990,119)
(314,470)	Fees, charges and other service income	(429,232)
(13,262)	(Gain) or loss on disposal of non-current assets	29,470
	Gains in fair value of investment properties	(8,380)
(837,747)	Income from council tax and business rates	(917,667)
(55,243)	Interest and investment income	(15,055)
(2,034,728)	**Total income**	**(2,330,983)**
87,142	Deficit on the provision of services	**(59,426)**

Note 3. Accounting policies

i. General principles

The statement of accounts summarises the Council's transactions for the 2021/22 financial year and its position at the year ending 31 March 2022. 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 2021/22 supported by International Financial Reporting Standards (IFRS).

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

ii. Recognition of income and expenditure

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

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

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

Council tax and business rates

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

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

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

Regulations then dictate that the amount credited to the general fund must be equal to the amount precepted as part of the annual budget process (i.e. the cash flow for the year). Therefore the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the general fund is taken to the collection fund adjustment account and included as a reconciling item in the Movement in Reserves Statement.

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

iii. Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature within 24 hours of the date of acquisition (mainly Money Market Funds and overnight investments) as these are considered to be readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

iv. Charges to revenue for non-current assets

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

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

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

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. It is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement, equal to an amount calculated on a prudent basis determined by the council in accordance with statutory guidance. This contribution is known as the Minimum Revenue Provision (MRP). Depreciation, revaluation and impairment losses and amortisation are therefore replaced by MRP in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

v. Employee benefits

Benefits payable during employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages, salaries, paid annual leave, paid sick leave, bonuses and non-monetary benefits for current employees. These benefits are recognised as an expense for services in the year in which employees render service to the council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services but then reversed out through the Movement in Reserves Statement to the Accumulated Absences Account so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination benefits

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

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

Post-employment benefits

Employees of the Council may be members of four separate pension schemes:

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

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

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

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

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

- liabilities of the pension funds attributable to the council are included in the Balance Sheet on an actuarial basis using the projected unit method (i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees);
- liabilities are discounted to their value at current prices, using a discount rate of 2.4%.

The assets of the pension funds attributable to the council are included in the Balance Sheet at their fair value:

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

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

- Service cost comprising:
    - current service cost – The increase in the present value of the defined benefit obligation resulting from employee service in the current period. The cost to the employer of benefits accruing over the period are allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
    - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years are debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
    - net interest on the defined benefit liability – the net interest expense for the council. The change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability as a result of contribution and benefit payments.
- Re-measurements comprising:
    - return on plan assets – excluding amounts included in the net interest on the net defined liability are charged to the Pension Reserve as other comprehensive income and expenditure;
    - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions are charged to the Pensions Reserve as other comprehensive income and expenditure.
- Contributions paid to the pension funds – cash paid as employer's contributions to the pension fund in settlement of liabilities are not accounted for as an expense.

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

Discretionary benefits

The Council does not make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to teachers are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

vi. Events after the Balance Sheet date

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

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

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

vii. Financial instruments

Financial liabilities

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

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

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

Financial assets

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

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

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

Financial Assets Measured at Amortised Cost

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

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

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

Financial Assets Measured at Fair Value through Profit of Loss

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

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

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

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

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

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

Expected Credit Losses

The Council recognises expected credit losses (impairments) on all of its financial assets held at amortised cost or FVOCI either on a 12-month or lifetime basis. Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses. The expected credit loss model applies to financial assets measured at amortised cost and FVOCI, trade receivables, lease debtors, third party loans and financial guarantees.

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

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

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

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

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

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

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

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

viii. Fair value measurement

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

a) in the principal market for the asset or liability, or

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

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

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

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

ix. Government grants and contributions

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

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

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

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

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

x. Interests in companies and joint operations

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

The Council has determined that it exerts significant control over Hendeca 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 2021/22 group accounts have been produced due to material balances held by subsidiary companies.

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

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

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

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

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

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

In addition, the council is part of a partnership with East Sussex County Council and Brighton & Hove City Council that aims to provide business services to the public sector. The partnership is established under a Joint Committee. The Joint Committee is responsible for delivering services from a Joint Operating budget. During 2021/22 Surrey County Council, East Sussex County Council and Brighton & Hove City Council contributed to the Joint Operating budget in proportion to their service delivery requirements, which were 43%, 29% and 28% respectively.

xi. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee otherwise all other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council does not currently have any material finance leases. However from April 2022 under IFRS16, all leases will be treated as if they are finance leases and will be on the balance sheet. See Note 3a Accounting standards issued but not yet adopted for further details.

The Council as lessee

Operating leases

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

The Council as lessor

Operating leases

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

xii. Overheads and support services

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

xiii. Private Finance Initiative (PFI) and similar contracts

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

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

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

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

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

- Waste;
- Street Lighting;
- Care UK.

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

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and are expected to be used during more than one financial year are classified as property, plant and equipment.

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

- the purchase price;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

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

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

- infrastructure, community assets and assets under construction are held at depreciated historical cost;
- school buildings and fire stations are held at current value, but because of their specialist nature, are measured at depreciated replacement cost which is used as an estimate of current value;
- surplus assets are held at current value which is fair value estimated at highest and best use from a market participant's perspective;

- all other assets are held at current value determined as the amount that would be paid for the asset in its existing use.

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

Assets included in the Balance Sheet at current value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains (exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service). Where decreases in value are identified, they are accounted for as follows:

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

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

Impairment

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

Where impairment losses are identified they are accounted for in the same way as for a revaluation loss.

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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

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.

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.

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

xvi. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

xvii. Provisions, contingent liabilities and contingent assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

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

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made) the provision is reversed and credited back to the relevant service. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim) this is recognised as income for the relevant service only if it is certain that reimbursement will be received if the council settles the obligation.

Contingent liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

xviii. Reserves

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

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

xix. Revenue expenditure funded from capital under statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset is charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

xx. Schools

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

xxi. Value Added Tax (VAT)

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

Note 3a: Accounting standards issued but not adopted

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

- **IFRS 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.
- **Annual Improvements to IFRS Standards 2018-2020:** The annual IFRS improvement programme notes 4 changed standards
    - **IFRS1 (first time adoption) –** amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
    - **IAS 37** (Onerous Contracts) – clarifies the intention of the standard
    - **IFRS 16** (Leases) – amendment removes a misleading example that is not referenced in the code material
    - **IAS41 (Agricultural) –** one of a small number of IFRS's that are only expected to apply to local authorities in limited circumstances
- **Property, Plant and Equipment:** Proceeds before intended use (amendments to IAS 16)

Note 4: Critical judgements in applying accounting policies

In applying the accounting policies set out in Note 3, the council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are outlined below:

Issue	Judgement
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.

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

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

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. Assets valued on a Depreciated Replacement Cost basis, totalling £500m in the balance sheet, are significantly influenced by obsolescence rates, BCIS rates and allowances for fees and externals. These require professional judgement and therefore are not certain. Assets valued on an Existing Use Value basis, totalling £1,405m on the Balance Sheet, are significantly influenced by assumptions around rents and yields. Surplus assets valued on a Fair Value basis, totalling £35m, are significantly influenced by assumptions around land values, rents and yields.	The assumptions on which valuations are based are provided by qualified external valuers and challemged vigorously and therefore considered reliable. However, if assumptions within the methodology do not materialise then there could be a material impact on the value of land and buildings.
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	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.

	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. 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 £383m for the LGPS and £68m 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 an derecognition charge of £14.1m related to the derecognition of academy schools (£42.7m in 2020/21). 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 2021/22, 7 schools transferred to academy status (7 in 2020/21).

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 2021/22 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.

2021/22	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)	(138,451)		
DSG Deficit (transferred to DSG Adjustment Account)	20,471		
Council tax and business rates (transfers to Collection Fund)	38,090		
Holiday pay (transferred to the Accumulated Absences Reserve)	(709)		
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	(89,985)		
Revaluation gain on property, plant & equipment	620		
Other movements in valuation on property, plant and equipment	415		
Movement on fair value on investment property	8,380		
Amortisation of intangible assets	(1,929)		
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	(18,299)		
Deferred Income in respect of PFI schemes	1,123		
Transfer of deferred sale proceeds	18,747		
Net book value of disposals and derecognitions	(35,596)		
Capital grants & contributions unapplied credited to the Comprehensive Income & Expenditure Account	173,437	0	(173,437)
Total Adjustments to the Revenue Resources	**(37,988)**		**(173,437)**
Adjustments between Revenue & Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(1,681)		
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	26,313		
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	5,553		
Total Adjustments between Revenue & Capital Resources	**30,185**	**0**	**0**
Adjustments to Capital Resources			
Application of capital grants to finance capital expenditure	0		79,214
Application of capital receipts to reduce capital financing requirement	0	63,681	0
Use of Capital Receipts to fund Revenue Expenditure	0		0
Total Adjustments to capital resources	**0**	**63,681**	**79,214**
Total Adjustments	**(7,804)**	**63,681**	**(94,224)**

2020/21	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)	(64,650)		
DSG Deficit (transferred to DSG Adjustment Account)	(34,474)		
Council tax and business rates (transfers to Collection Fund)	(48,477)		
Holiday pay (transferred to the Accumulated Absences Reserve)	(5,805)		
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):			
Charges for depreciation and impairment of non-current assets	(80,204)		
Revaluation gain on property, plant & equipment	520		
Other movements in valuation on property, plant and equipment	0		
Movement on fair value on investment property	(11,009)		
Amortisation of intangible assets	(1,423)		
IFRS9 Capital Impairments	0		
Disposal of academies	(42,656)		
Revenue expenditure funded from capital under statute	0		
Net gain/(loss) on disposal of investment property	0		
Net gain/(loss) on disposal of financial assets	(24,751)		
Deferred Income in respect of PFI schemes	1,058		
Reversal of donated asset adjustment	10,730		
Net book value of disposals	13,262		
Capital grants & contributions unapplied credited to the Comprehensive Income & Expenditure Account	88,677		(88,677)
Total Adjustments to the Revenue Resources	(199,202)		(88,677)
Adjustments between Revenue & Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	0	(48,405)	
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	34,778		
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	6,455		
Total Adjustments between Revenue & Capital Resources	41,233	(48,405)	
Adjustments to Capital Resources			
Application of capital grants to finance capital expenditure			86,794
Application of capital receipts to reduce capital financing requirement		21,700	
Use of Capital Receipts to fund Revenue Expenditure	(7,212)	7,212	
Total Adjustments to capital resources	(7,212)	28,912	86,794
Total Adjustments	(165,181)	(19,493)	(1,883)

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 2021/22.

	Balance at 31/03/20	Transfers In	Transfers Out	**Balance at 31/03/21**	Transfers In	Transfers Out	**Balance at 31/03/22**
	£000	£000	£000	**£000**	£000	£000	**£000**
Investment Renewals	**5,158**	0	(105)	**5,054**	0	(42)	**5,011**
Equipment Replacement	**3,880**	115	(662)	**3,333**	372	(254)	**3,450**
Budget Equalisation	**44,406**	40,678	(697)	**84,388**	41,787	(22,845)	**103,330**
Streetlighting PFI Fund	**2,462**	0	(636)	**1,826**	0	(636)	**1,190**
Insurance	**10,720**	0	(86)	**10,635**	590	(1,967)	**9,257**
Eco Park Sinking Fund	**27,726**	10,785	(15,400)	**23,111**	0	(970)	**22,141**
Capital Investment	**4,963**	2,426	0	**7,389**	158	(60)	**7,487**
Interest Rate	**1,000**	600	0	**1,600**	0	0	**1,600**
Economic Prosperity	**11,744**	0	0	**11,744**	0	0	**11,744**
Revolving Investment & Infrastructure Fund	**11,139**	0	0	**11,139**	0	0	**11,139**
Business Rate Appeals	**28,601**	0	0	**28,601**	0	0	**28,601**
Transformation	**1,756**	0	(688)	**1,068**	2,621	(621)	**3,068**
COVID-19 Emergency Fund	**24,234**	0	(18,099)	**6,135**	0	(277)	**5,858**
CFLC Inspection and System Improvements	**1,250**	0	(567)	**683**	74	(501)	**256**
Total General Fund Reserves	**179,039**	54,604	(36,940)	**196,706**	45,602	(28,173)	**214,132**
Schools Balances	**40,798**	12,490	(2,607)	**50,681**	5,956	(4,481)	**52,155**
SEND High Needs Block	**48,632**	34,473	0	**83,105**	35,298	0	**118,404**
Total School Reserves	**89,430**	46,963	(2,607)	**133,786**	41,254	(4,481)	**170,559**
Revenue Grants Unapplied	**23,363**	42,884	(30,747)	**35,500**	753,732	(761,024)	**28,208**
Total Earmarked Reserves	**291,832**	144,451	(70,294)	**365,992**	840,588	(793,678)	**412,899**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Note 10: Other operating income and expenditure

Net Expenditure 2020/21 £000		Gross Expenditure 2021/22 £000	Income 2021/22 £000	**Net Expenditure 2021/22 £000**
1,239	Land Drainage Precept	1,090		**1,090**
2,513	Contributions from Trading Services	22,053	(21,256)	**797**
(13,262)	(Gain) or Loss on disposal of non-current assets	49,898	(20,428)	**29,470**
(9,510)		**73,041**	**(41,684)**	**31,357**

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 **2020/21** £000		Gross Expenditure 2021/22	Income 2021/22	**Net Expenditure 2021/22**
18,246	Interest payable and similar charges	28,670		**28,670**
38,102	Net interest on the net defined benefit liability (Note 38)	89,682	(45,329)	**44,353**
(15,455)	Interest receivable and similar income		(15,055)	**(15,055)**
225	Net (gains)/losses on financial assets at fair value through profit and loss	0	0	**0**
3,841	Income & expenditure in relation to investment properties (Note 14)	(5,501)	(7,361)	**(12,862)**
42,656	Disposal charge for the derecognition of schools that transfer to Academy status	14,055		**14,055**
87,615		**126,906**	**(67,745)**	**59,161**

Note 12: Council tax and general grants & contributions

2020/21 £000 Restated		**2021/22 £000**
	Local taxation:	
(756,771)	- Council tax income	**(786,963)**
(80,975)	- Business rate income	**(130,703)**
	Grants and contributions:	
(97,887)	- Non ring-fenced government grants	**(74,560)**
(85,180)	- Capital grants and contributions	**(154,692)**
(1,020,814)		**(1,146,919)**

Note 31 has been changed presentationally for 2021/22. The comparative amounts in this note have therefore been reclassified for consistency.

Note 13: Property, plant & equipment

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 2021	**1,358,322**	**82,230**	**7,552**	**34,660**	**46,029**	**1,528,793**
Additions*	34,605	13,651	152	1,128	11,266	60,802
Donations						0
Revaluations increases recognised in the Revaluation Reserve	81,196	0	0	6,690	0	87,886
Revaluations decreases recognised in the Revaluation Reserve	(7,947)	0	0	(2,001)	0	(9,948)
Revaluation increases (reversal of previous losses) recognised in the deficit on the CIES	6,246	0	0	1,190	0	7,436
Revaluation decreases recognised in the deficit on CIES	(7,611)	0	0	(1,582)	0	(9,193)
Transfers between asset classes	(26,994)	31,317	0	(456)	(36,210)	(32,344)
Derecognition & Disposals	(27,774)	(685)	0	(4,285)	0	(32,743)
Derecognition - Academies	(15,001)	(88)				(15,090)
At 31 March 2022	1,395,042	126,424	7,704	35,344	21,085	1,585,600
Accumulated Depreciation and Impairment						
at 1 April 2021	**(50,743)**	**(45,433)**		**(4)**		**(96,180)**
Depreciation charge	(36,355)	(7,219)	0	(2)	0	(43,576)
Impairment	0	0	0	0	0	0
Depreciation written out to the Revaluation Reserve	17,092	0	0	0	0	17,092
Revaluation losses recognised in the CIES	1,478	0	0	0	0	1,478
Revaluation increases (reversal of previous losses) recognised in the CIES	899	0	0	0	0	899
Trans between asset classes	1,921	(25)	0	0	0	1,896
Derecognition - Disposals	(426)	616	0	0	0	190
Derecognition - Academies	1,019	16	0	0	0	1,035
At 31 March 2022	(65,115)	(52,045)	0	(6)	0	(117,166)
Net Book Value						
at 31 March 2021	1,307,579	36,797	7,552	34,656	46,029	1,432,613
at 31 March 2022	**1,329,927**	**74,379**	**7,704**	**35,338**	**21,085**	**1,468,433**

Cost (revalued)	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 2020	**1,281,081**	**72,974**	**7,258**	**33,067**	**36,504**	**1,430,884**
Additions*	112,519	13,677	294	489	10,126	**137,105**
Donations	10,730					**10,730**
Revaluations increases recognised in the Revaluation Reserve	48,055			576		**48,631**
Revaluations decreases recognised in the Revaluation Reserve	(9,283)			(336)		**(9,619)**
Revaluation increases (reversal of previous losses) recognised in the deficit on the CIES	15,468			609		**16,077**
Revaluation decreases recognised in the deficit on CIES	(24,151)			(60)		**(24,211)**
Transfers between asset classes	555				(601)	**(46)**
Derecognition & Disposals	(34,487)	(4,421)		(1,000)		**(39,908)**
Derecognition - Academies	(43,755)					**(43,755)**
Assets reclassified	1,590			1,315		**2,905**
At 31 March 2021	**1,358,322**	**82,230**	**7,552**	**34,660**	**46,029**	**1,528,793**
Accumulated Depreciation and Impairment						
at 1 April 2020	**(54,947)**	**(42,906)**		**(4)**		**(97,857)**
Depreciation charge	(31,669)	(6,365)				**(38,034)**
Impairment						
Depreciation written out to the Revaluation Reserve	23,993					**23,993**
Revaluation losses recognised in the CIES	3,146					**3,146**
Revaluation increases (reversal of previous losses) recognised in the CIES	5,507					**5,507**
Trans between asset classes						
Derecognition - Disposals	2,128	3,837				**5,965**
Derecognition - Academies	1,099					**1,099**
At 31 March 2021	**(50,743)**	**(45,433)**		**(4)**		**(96,180)**
Net Book Value						
at 31 March 2020	**1,226,134**	**30,067**	**7,259**	**33,063**	**36,503**	**1,333,026**
at 31 March 2021	**1,307,579**	**36,797**	**7,552**	**34,656**	**46,029**	**1,432,613**

* These amounts include assets acquired under PFI schemes (see note 36), but excludes £18.3m revenue expenditure funded from capital under statute (£29.4m in 2020/21).

INFRASTRUCTURE ASSETS

Movement on balances	2020/21	2021/22
	£'000	£'000
Net Book Value (Modified Historical costs)		
at 1 April	396,413	432,384
Additions	77,871	83,263
Derecognition	45	2,118
Depreciation	(41,945)	(46,867)
Impairment	0	0
Other Movements in cost	35,971	38,514
Net Book Value		
at 31 March	432,384	470,898

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.

	31 March 2021	31 March 2022
	£'000	£'000
Infrastructure assets	432,384	470,898
Other PPE assets	1,432,613	1,468,433
Total PPE assets	1,864,997	1,939,331

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 Bruton Knowles LLP, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations were carried out in light of COVID-19 and is the best estimate of the assets' values at 31 March 2022.

		Land and Buildings £'000	Surplus Assets £'000
Carried at current value not valued in last 5 years		8,571	2,254
Carried at current value. Last revalued as at:			
	31-Mar-18	196,339	754
	31-Mar-19	210,883	1,093
	31-Mar-20	234,285	1,130
	31-Mar-21	438,706	4,520
	31-Mar-22	240,648	25,588
Total		**1,329,432**	**35,339**

Revaluation changes

During 2021/22 the Council has recognised a net revaluation gain of £46.7m in total across all PPE classes. The result was a revaluation loss of £16.3m charged to the Comprehensive Income and Expenditure Statement, and a £63.0m gain offset from the balance in the revaluation reserve in relation to these assets. The majority of land and building assets are re-valued based on existing use value, as part of the five-year rolling programme by external valuers. Schools buildings and fire stations are re-valued at depreciated replacement cost.

Capital commitments

At 31 March 2022, the Council has entered into a number of contracts for the acquisition/enhancement of Property, Plant & Equipment in 2022/23 and future years budgeted to cost £67.97m. Similar commitments at 31 March 2021 were £31.4m.

Description/Project	**Total £m At 31/3/2022**	**Total £m At 31/3/2021**
Schools Basic Need/SEND	41.00	14.00
LAC Schemes	4.65	0.00
Schools Maintenance	2.29	4.80
DB&I Project - Unit 4	5.40	7.90
Corporate Capital Maintenance	2.33	3.70
Purchase of New Fire Appliances	1.80	0.00
ASC Community Equipment Service	10.50	0.00
CFLC EMS Project	0.00	1.00
Total	**67.97**	**31.40**

The fair value hierarchy of surplus assets at 31 March are as follows:

Recurring fair value measurements using:	Quoted markets in active markets for identical assets (Level 1) £000s	Other significant observable inputs £000s	Significant unobservable inputs (Level 3) £000s	Total £000s
Surplus assets (NBV) at 31 March 2022	-	35,338	-	35,338
Surplus assets (NBV) at 31 March 2021	-	34,656	-	34,656

The council measures surplus assets 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 valuation technique and the inputs used in the fair value measurement within level 2 of the fair value hierarchy is net land values per acre (based on location and potential use of the land) distinguished between residential and non-residential use.

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.

2020/21		2021/22
£000		£000
8,411	Rental income from investment property	7,361
(1,184)	Direct operating expenses arising from investment property	(2,879)
7,227	**Net gain/(loss)**	**4,482**
0	Gain on sale of investment property	0
(11,067)	Net gain/(loss) on fair value adjustments	8,380
(3,840)	**Income & expenditure in relation to investment properties**	**12,862**

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

2020/21		2021/22	Offices	Retail	Other	Fair Value Hierarchy
£000		£000	£000	£000	£000	
133,789	Balance at start of the year	**122,312**	117,672	3,355	1,285	Level 3
1,122	Additions	**380**	380			
(1,590)	Reclassification	**(247)**	(247)			
(11,010)	Net gain/(loss) from fair value adjustments*	**8,795**	8,795			
122,312	**Balance at end of the year**	**131,240**	126,600	3,355	1,285	Level 3

*The valuation of Investment Properties is based on prevailing market conditions and existing lease agreements as at 31 March 2022.

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 2022. 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. There remains a risk that, as the market emerges from the effects of the Covid-19 pandemic, there may be a repricing of property and other assets which cannot currently be foreseen. Action taken by the Government and the Bank of England has assisted in maintaining market equilibrium, thus mitigating these risks so far.

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 2022 and 2021 are as follows:

Recurring fair value measurements using:	Quoted markets in active markets for identical assets (Level 1) £000s	Other significant observable inputs £000s	Significant unobservable inputs (Level 3) £000s	Fair value as at 31 March 2022 £000s
Residential (market rental) properties	-	-	1,285	**1,285**
Office units	-	-	126,600	**126,600**
Commercial units	-	-	3,355	**3,355**
Total	-	-	**131,240**	**131,240**

Recurring fair value measurements using:	Quoted markets in active markets for identical assets (Level 1) £000s	Other significant observable inputs £000s	Significant unobservable inputs (Level 3) £000s	Fair value as at 31 March 2021 £000s
Residential (market rental) properties	-	-	1,285	**1,285**
Office units	-	-	117,672	**117,672**
Commercial units	-	-	3,355	**3,355**
Total	-	-	**122,312**	**122,312**

Level 3 fair values for Investment properties 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 derirved 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.

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 2021/22, 7 schools had transferred to academy status. 5 were Community Schools and 2 were aided schools. Academy schools are owned and managed completely independently of the local authority and therefore the non-current assets have been excluded from this balance sheet.

Note 16: Financial instruments

Categories of Financial Instruments

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

Financial Assets	**1 April 2021**	**31 March 2022**
	£000	**£000**
Fair value through profit or loss		
Long Term Investments		
Cash	59,400	140,700
Total	**59,400**	**140,700**

	£000	**£000**
Amortised Cost		
Long Term Investments	96,051	97,036
Long Term Debtors	241,079	242,176
Short Term Investments		
Short Term Debtors	104,098	68,767
Cash	18,818	31,244
Total	460,046	439,223
Total Financial Assets	519,446	579,923
Non-Financial Assets	2,032,244	2,224,992
Total	**2,551,690**	**2,804,915**

Financial Liabilities	**1 April 2021**	**31 March 2022**
	£000	**£000**
Amortised Cost		
Long Term Borrowings	442,957	487,281
Short Term Borrowings	286,176	237,996
Short Term Creditors	150,434	133,133
PFI, Lease	98,252	91,580
Other 3rd Party Balances	5,634	6,149
Total Financial Liabilities	**983,453**	**956,139**
Non-Financial Liabilities	2,268,346	2,037,583
Total	**3,251,799**	**2,993,772**

Categories of Financial Assets and Financial Liabilities
The following categories of financialassets and liabilities are carried in the Balance Sheet

31 March 2021 Non Current £'000	Current £'000	Total £'000		31 March 2022 Non Current £'000	Current £'000	Total £'000
			Financial Assets			
337,130	122,916	460,046	Measured at amortised cost	339,212	100,011	439,223
0	59,400	59,400	Measured at fair value through profit or loss	0	140,700	140,700
337,130	**182,316**	**519,446**		**339,212**	**240,711**	**579,923**
			Financial Liabilities			
442,957	540,496	983,453	Measured at amortised cost	487,281	468,858	956,139
442,957	**540,496**	**983,453**		**487,281**	**468,858**	**956,139**

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

	2020/21		2021/22	
	Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure	Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure
	£000	£000	£000	£000
Net gains/(losses) on:				
Financial assets measured at fair value through profit or loss – fair value	(255)		0	
Financial assets measured at fair value through profit or loss – dividend				
Total net gains /(losses)	**(225)**		**0**	
Interest revenue:				
Financial assets measured at amortised cost	(15,396)		(14,784)	
Interest expense:				
Financial assets measured at amortised cost	18,246		78,009	

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 31/3/21 £000	As at 31/3/22 £000
Fair Value through Profit or Loss				
Cash (Money Market Funds)	Level 1	Unadjusted quoted prices in active markets for identical shares	59,400	**140,700**

Transfers between Levels of the Fair Value Hierarchy

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

Changes in the Valuation Technique

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

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

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

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

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

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

The fair values calculated are as follows:

Financial Liabilities	31 March 2021		31 March 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Long Term Borrowings - PWLB	423,580	605,880	462,017	565,414
Long Term Borrowings - Other	20,400	26,828	25,265	31,692
Short Term Borrowings	286,176	286,176	237,996	237,996
Short Term Creditors	150,434	150,434	133,133	133,133
PFI, Lease	98,252	152,107	91,580	119,708
Other 3rd Party Balances	5,634	5,634	6,149	6,149
Total	**984,476**	**1,227,059**	**956,140**	**1,094,092**

The fair value of borrowings is higher than the carrying amount because the portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss, based on economic conditions at 31 March 2022, arising from a commitment to pay interest to lenders above current market rates.

Financial Assets	31 March 2021		31 March 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Long Term Investments	96,051	96,051	97,036	97,036
Long Term Debtors	241,079	241,079	242,176	299,096
Short Term Debtors	49,326	49,326	68,767	68,767
Cash	18,818	18,818	31,244	31,244
Total	**405,274**	**405,274**	**439,223**	**496,143**

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. The fair value of borrowings is higher than the carrying amount because the portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date.

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

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
	31 March 2022			
	£000	£000	£000	£000
Financial liabilities				
Long Term Borrowings		597,106		597,106
Short Term Borrowings		237,996		237,996
Short Term Creditors		133,133		133,133
PFI, Lease			119,708	119,708
Other 3rd Party Balances		6,149		6,149
Total		**974,384**	**119,708**	**1,094,092**
Financial assets				
Long Term Debtors		299,096		299,096
Long Term Investments			97,036	97,036
Short Term Debtors		68,767		68,767
Cash		31,244		31,244
Total		**399,107**	**97,036**	**496,143**

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 2022 of 0.51% 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 2022 of 0.14% for loans payable based on new lending rates for equivalent.

Nature and extent of risks arising from Financial Instruments

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

- **Credit risk -** the possibility that other parties might fail to pay amounts due to the Council.
- **Liquidity risk** - the possibility that the Council might not have funds available to meet its commitments to make payments.
- **Re-financing risk -** the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- **Market risk** -the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates or stock market movements.

Overall procedures for managing risk

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services.

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

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

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

The annual treasury management strategy which incorporates the prudential indicators was approved by the Audit and Governance Committee on 29 January 2021 and is available on the Council website.

The key issues within the strategy were:

- The Authorised Limit for 2021/22 was set at £1,935m. This is the maximum limit of external borrowings or other long-term liabilities;

- The Operational Boundary was set at £1,435m. 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.

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 2021/22 was approved by the Audit and Governance Committee on 29 January 2021 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 2022 that this was likely to crystallise.

Amounts Arising from Expected Credit Losses (ECL)
The changes in loss allowance during 2021/22 are as follows:

	12 Month ECL	Lifetime ECL	Lifetime ECL – Simplified Approach	Total
	£000	£000	£000	£000
Opening balance 1 April 2021	1,603		10,145	11,748
Change in credit loss			(661)	(661)
Closing balance 31 March 2022	1,603		9,484	11,087

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 2021	31 March 2022
	£000	£000
Less than one year	127,544	240,711
Between one and five years		
More than five years	337,355	339,212
Total	**464,899**	**579,923**

Refinancing and Maturity risk

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

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

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer-term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

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

	Approved Minimum Limit	Approved Maximum Limit	31 March 2021	31 March 2022
	%	%	%	%
Less than one year	0%	60%	35%	39%
Between one and two years	0%	50%	0%	0%
Between two and five years	0%	50%	1%	1%
Between five and ten years	0%	75%	8%	8%
More than ten years	25%	100%	56%	52%

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.

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

Price risk

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

Foreign exchange risk

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

Note 17: Short term debtors

31/03/2021		**31/03/2022**
£000		**£000**
6,455	HMRC Debtors	12,890
26,926	Accounts Receivable Debtors	46,410
17,293	Collection Fund Debtors	29,623
20,515	Adult Social Care Debtors	22,749
17,220	Payments in Advance	18,101
50,202	Other Debtors	59,838
138,611	**Total**	189,611

Note 18: Cash and cash equivalents

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

31/03/21		**31/03/22**
£000		**£000**
18,818	General account	31,244
59,400	Money market funds	140,700
78,218	**Total cash and cash equivalents**	**171,944**

Note 19: Assets held for sale

Assets held for sale (current)		**Assets held for sale (current)**
31/03/2021		**31/03/2022**
£000		**£000**
2,515	**Balance outstanding at 1 April**	**0**
	Assets newly classified as held for sale:	
	- Property, plant and equipment1	**27,710**
(1,315)	Assets de-classifieds as held for sale	
	Revaluation gain	
	Revaluation loss	
(1,200)	Assets sold	**0**
0	**Balance outstanding at 31 March**	**27,710**

Note 20: Creditors

31/03/21 £000		31/03/22 £000
(21,162)	HMRC Creditors	**(21,500)**
(25,575)	Accounts Payable Creditors	**(29,220)**
(60,457)	Collection Fund Creditors	**(30,076)**
(26,643)	Receipts in Advance	**(63,681)**
(119,898)	Other Creditors	**(115,904)**
(253,735)	**Total**	**(260,381)**

Note 21: Provisions

	Business Rates Appeals £000	Insurance liabilities £000	Equal pay £000	Fire fighters Pensions Fund £000	Redundancy £000	Other provisions £000	Total provisions £000
Balance at 1 April 2021	10,593	5,161	3,500	3,000	684	3,264	**26,202**
Additional provisions made in 2021/22	238	1,187			2	216	**1,643**
Amounts used in 2021/22	4,157		3,500	3,000	686		**11,343**
Unused amounts reversed in 2021/22							
Balance at 31 March 2022	6,674	6,348	0	0	0	3,480	**16,502**
Current Provisions						3,480	**3,480**
Non-Current Provisions	6,674	6,348	0	0			**13,022**
	6,674	6,348	0	0	0	3,480	**16,502**

	Business Rates Appeals £000	Insurance liabilities £000	Equal pay £000	Fire fighters Pensions Fund £000	Redundancy £000	Other provisions £000	Total provisions £000
Balance at 1 April 2020	7,880	5,162	3,500	3,000	675	1,295	**21,512**
Additional provisions made in 2020/21	2,713				678	1,969	**5,360**
Amounts used in 2020/21		(1)			(669)		**(670)**
Unused amounts reversed in 2020/21							
Balance at 31 March 2021	10,593	5,161	3,500	3,000	684	3,264	**26,202**
Current Provisions					684	3,264	**3,949**
Non-Current Provisions	10,593	5,161	3,500	3,000			**22,254**

10,593	5,161	3,500	3,000	684	3,264	**26,202**

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 2022. The council's provision for the business rates appeals is based on our share of the provision calculated by each of the 11 borough and district councils in Surrey.

Insurance

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

Unequal pay claim

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

Firefighters Pensions

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

Redundancy costs

As at 31 March 2022 there is a provision of £0.7m to cover the cost of redundancies agreed during 2021/22 but for which the expenditure will not be incurred until 2022/23.

Other provisions

A number of other smaller provisions have been identified.

Note 22: Usable reserves

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

	Balance at 1 April 2021	Transfers In	Transfers Out	**Balance at 31 March 2022**
	£000	£000	£000	**£000**
Revenue				
General Fund Balance	**28,036**	20,324		**48,360**
Earmarked Reserves	**365,993**	358,014	(311,107)	**412,900**
Total revenue reserves	**394,029**	378,338	(311,107)	**461,260**
Capital				
Capital Grant Unapplied	**94,961**	173,437	(79,214)	**189,184**
Capital Receipts Reserve	**64,463**	0	(63,681)	**782**
Total capital reserves	**159,424**	173,437	(142,895)	**189,966**
Total usable reserves	**553,453**	551,775	(454,002)	**651,226**

Note 23: Unusable reserves

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

31/03/21		**31/03/22**
£000		**£000**
(588,845)	Revaluation Reserve	(634,428)
(400,117)	Capital Adjustment Account	(473,072)
0	Deferred Capital Receipts	(18,747)
18	Financial Instruments Adjustment Account	18
2,170,813	Pensions Reserve	1,887,167
42,557	Collection Fund Adjustment Account	4,467
83,106	DSG Adjustment Account	62,635
11,284	Accumulated Absences Account	11,991
1,318,816		**840,031**

The DSG adjustment account holds accumulated deficits relating to the schools budget. In line with the Capital Finance and Accounting regulations 2020 the note shows the DSG deficit in respect of its schools budget as at 31 March 2022 rather than the specific types of DSG grants being accounted for within the note disclosure.

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. The balance is reduced when assets with accumulated gains are:

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

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

31/03/21		31/03/22	
£000		**£000**	**£000**
(579,445)	**Balance at 1 April**		**(588,845)**
(72,637)	Upward revaluation of assets	(95,033)	
9,631	Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the Provision of Services	0	
	Asset reclassification		
(63,006)	Surplus or deficit on revaluation of non-current assets not posted to the surplus or deficit on the Provision of Services		(95,033)
10,695	Difference between fair value depreciation and historical cost depreciation	10,852	
42,911	Accumulated gains on assets sold or scrapped	38,598	
53,606	Amount written off to the Capital Adjustment Account		49,450
(588,845)	**Balance at 31 March**		**(634,428)**

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.

31/03/21		31/03/22	31/03/22
£000		£000	£000
(379,662)	**Balance at 1 April**		**(400,117)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
80,204	Charges for depreciation and impairment of non-current assets	90,456	
	Impairment or fair value adjustments under IFRS 9		
(520)	Revaluation losses/(gains) on Property, Plant and Equipment	(620)	
	Other movements in valuation on Property, Plant and Equipment		
11,009	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(8,795)	
0	Disposal of financial assets	0	
1,423	Amortisation of intangible assets	1,929	
24,751	Revenue expenditure funded from capital under statute	18,299	
(1,058)	Deferred Income	(1,123)	
(10,730)	Donated Assets credited to the Comprehensive Income and Expenditure Statement	0	
34,888	Amounts of non-current assets written off on disposal or derecognition as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	49,899	
139,967			150,045
(10,695)	Adjusting amounts written out of the Revaluation Reserve		(49,920)
129,272	Net written out amount of the cost of non-current assets consumed in the year		100,125
	Capital financing applied in the year:		
(21,700)	Use of the Capital Receipts Reserve to finance capital expenditure	(62,000)	
(5,945)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	0	
(80,849)	Application of grants to capital financing from the Capital Grants Unapplied Account	(79,214)	
(34,778)	Statutory provision for the financing of capital investment charged against the General Fund	(26,313)	
(6,455)	Capital expenditure charged against the General Fund	(5,553)	
(400,117)	**Balance at 31 March**		**(473,072)**

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 2022 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 2021/22.

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.

31/03/21		31/03/22
£000		£000
1,642,468	**Balance at 1 April**	**2,170,813**
463,695	Actuarial (gains)/losses on pensions assets and liabilities	**(422,097)**
147,032	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	**220,851**
(82,382)	Employer's pensions contributions and direct payments to pensioners payable in the year	**(82,400)**
2,170,813	**Balance at 31 March**	**1,887,167**

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.

31/03/21		31/03/22
£000		£000
(5,920)	**Balance at 1 April**	42,557
48,477	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	(38,090)
42,557	**Balance at 31 March**	4,467

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 2020, 1st April 2021 or 1st April 2022. The deficit must not be charged to a revenue account. This account records any such deficits thereby separating school budget deficits from Surrey County Council general fund for a period of 3 financial years.

31/03/21		31/03/22	
£000		£000	
48,632	**Balance at 1 April**	83,106	
34,474	DSG school budget deficit transferred from General Fund in accordance with statutory requirements	(20,471)	
83,106	**Balance at 31 March**		62,635

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.

31/03/21		31/03/22	**31/03/22**
£000		£000	**£000**
5,479	**Balance at 1 April**		**11,284**
(5,479)	Settlement or cancellation of accrual made at the end of the preceding year	(11,284)	
11,284	Amounts accrued at the end of the current year	11,991	
5,805	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		**707**
11,284	**Balance at 31 March**		**11,991**

Note 24: Pooled budgets

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

Better Care Fund

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

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

The council acts as the 'host' authority for all these pooled budgets. The table below summarises the financial position of each pooled budget arrangement for 2021/22. The council recognises its share of income, expenditure, assets and liabilities in its accounts.

2021/22

	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	(142)	(113)	(83)	(73)	(39)	(17)	(6)	**(473)**
- North West Surrey CCG	(27,908)							**(27,908)**
- Surrey Downs CCG		(23,999)						**(23,999)**
- Guildford & Waverley CCG			(17,928)					**(17,928)**
- East Surrey CCG				(16,478)				**(16,478)**
- Surrey Heath CCG					(7,135)			**(7,135)**
- North East Hampshire & Farnham CCG						(3,328)		**(3,328)**
- East Berkshire CCG							(901)	**(901)**
	(28,050)	(24,112)	(18,011)	(16,551)	(7,174)	(3,345)	(907)	**(98,150)**
Expenditure met from the pooled budget	23,300	19,639	13,719	12,479	6,117	2,934	726	**78,914**
(Surplus) or deficit	(4,750)	(4,473)	(4,292)	(4,072)	(1,057)	(411)	(181)	**(19,236)**
SCC Share	(2,375)	(2,237)	(2,146)	(2,036)	(528)	(205)	(90)	**(9,617)**

2020/21

Funding provided to the pooled budget	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
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
- Surrey County Council	(172)	(86)	(59)	(76)	(32)	(9)	(7)	**(441)**
- North West Surrey CCG	(22,741)							**(22,741)**
- Surrey Downs CCG		(19,034)						**(19,034)**
- Guildford & Waverley CCG			(13,246)					**(13,246)**
- East Surrey CCG				(15,138)				**(15,138)**
- Surrey Heath CCG					(6,446)			**(6,446)**
- North East Hampshire & Farnham CCG						(2,893)		**(2,893)**
- East Berkshire CCG							(774)	**(774)**
	(22,913)	(19,120)	(13,305)	(15,214)	(6,478)	(2,902)	(781)	**(80,713)**
Expenditure met from the pooled budget	22,653	18,432	12,915	11,526	5,811	2,789	690	**74,816**
Surplus or deficit (-)	(260)	(688)	(390)	(3,688)	(667)	(113)	(91)	**(5,897)**
SCC Share	(130)	(344)	(195)	(1,844)	(334)	(56)	(46)	**(2,949)**

Orbis Joint Operating Budget

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

The Orbis Partnership in 2021/22 incorporated the following services: Organisational Development, IT and Digital, Procurement, Revenues and Benefits and Business Operations (Shared Services).

During 2021/22 Surrey, East Sussex and Brighton & Hove Councils operated a joint operating budget to fund business services.

2020/21		2021/22
£000		£000
	Funding provided to the pooled budget	
(17,218)	- Surrey County Council	(15,939)
(11,740)	- East Sussex County Council	(10,606)
(10,953)	- Brighton and Hove City Council	(8,641)
(39,911)		(35,187)
39,911	Expenditure met from the pooled budget	35,187
0	Net surplus on the pooled budget	0

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

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

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

Note 25: Member allowances

2020/21		2021/22
£000		£000
1,643	Member Allowances*	**1,613**
5	Member Expenses	**11**
1,648		**1,624**

*Includes the employer's contributions for national insurance £107k (2020/21, £113k).

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 2021/22. Compensation for loss of office is included even though this is excluded from the general definition of remuneration. Costs for interim senior officers are also included in the salary column, these include the fees payable to employment agencies

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

Post	Year	Salary	Expense allowance	Compens-ation for Loss of Earnings	Total remuneration excluding pension contributions	Pension contribut-ions	Total remuneration including pension contributions
		£	£		£	£	£
Chief Executive – Joanna Killian	21/22	234,600			234,600		234,600
	20/21	234,600			234,600		234,600
Executive Director for Partnerships, Prosperity and Growth – Michael Coughlin	21/22	178,500			178,500	26,418	204,918
	20/21	178,500			178,500	26,418	204,918
Executive Director for Children, Families Lifelong Learning and Culture (1) – Rachael Wardell	21/22	170,000			170,000	25,160	195,160
	20/21	53,925			53,925	7,981	61,906
Executive Director 0f Strategic Commissioning (2) – Rachel Crossley	21/22	137,287			137,287	20,318	157,605
	20/21	137,761			137,761	20,389	158,150
Executive Director, Adults Social Care (3) – Simon White	21/22	192,280			192,280		192,280
	20/21	177,116			177,116		177,116
Executive Director for Environment, Transport and Infrastructure (4) – Katherine Stewart	21/22	152,793			152,793		152,793
	20/21	137,287			137,287		137,287
Deputy Chief Executive and Executive Director of Resources (5) – Leigh Whitehouse	21/22	194,204			194,204		194,204
	20/21	188,700			188,700	(2,282)	186,418
Executive Director for Customer and Communities (6)	21/22	141,096			141,096	20,882	161,978
	20/21	129,734			129,734	19,201	148,934
Director for Community Protection and Emergencies	21/22	134,520			134,520		134,520
	20/21	134,520			134,520	18,234	152,754
Total 2021/22		**1,535,279**	**0**	**0**	**1,535,279**	**92,778**	**1,628,058**
Total 2020/21		**1,372,143**	**0**	**0**	**1,372,143**	**89,940**	**1,462,082**

Notes to Senior Officer's Remuneration table:

1. The new Executive Director for CFLLC started September 2020.

2. New Post created April 2020.

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

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

5 This post was previously Executive Director of Resources

6 This post was previously titled Executive Director for Transformation, Partnerships and Prosperity.

Note 27: Officers' remuneration

2020/21				2021/22		
Non School numbers	Schools numbers	Total numbers	Renumeration (£)	Non School numbers	Schools numbers	Total numbers
332	103	435	50,000 - 54,999	**302**	**99**	**401**
67	90	157	55,000 - 59,999	**120**	**74**	**194**
139	61	200	60,000 - 64,999	**123**	**39**	**162**
56	55	111	65,000 - 69,999	**88**	**39**	**127**
35	46	81	70,000 - 74,999	**36**	**34**	**70**
9	62	71	75,000 - 79,999	**21**	**19**	**40**
37	25	62	80,000 - 84,999	**41**	**17**	**58**
6	16	22	85,000 - 89,999	**10**	**4**	**14**
17	5	22	90,000 - 94,999	**16**	**5**	**21**
7	3	10	95,000 - 99,999	**4**	**3**	**7**
1	1	2	100,000 - 104,999	**1**	**1**	**2**
2	4	6	105,000 - 109,999	**3**	**2**	**5**
3	1	4	110,000 - 114,999	**5**	**2**	**7**
3	2	5	115,000 - 119,999	**2**	**1**	**3**
1	0	1	120,000 - 124,999	**1**	**0**	**1**
5	0	5	125,000 - 129,999	**2**	**0**	**2**
1	0	1	130,000 - 134,999	**4**	**0**	**4**
0	0	0	135,000 - 139,999	**1**	**0**	**1**
1	1	2	140,000 - 144,999	**1**	**0**	**1**
0	0	0	150,000 - 154,999	**1**	**0**	**1**
0	1	1	155,000 - 159,999	**0**	**0**	**0**
0	0	0	160,000 - 164,999	**1**	**0**	**1**
0	0	0	165,000 - 169,999	**0**	**0**	**0**
0	0	0	170,000 - 174,999	**1**	**0**	**1**
0	0	0	175,000 - 179,999	**1**	**0**	**1**
0	0	0	185,000 - 189,999	**0**	**0**	**0**
0	0	0	190,000 - 194,999	**2**	**0**	**2**
0	0	0	230,000 - 234,999	**1**	**0**	**1**
722	**476**	**1,198**		**788**	**339**	**1,127**

The table above includes 86 staff (111 in 2020/21) whose salary costs are paid from the Orbis joint operating budget and are therefore split 66% Surrey County Council, 22% East Sussex County Council and 13% Brighton and Hove City Council.

There are an additional 19 staff (32 in 2020/21) at East Sussex County Council and 11 staff (27 in 2020/21) at Brighton and Hove City Council that earned over £50,000 in 2021/22. They are not included in the above table and were paid from the Orbis joint operating budget and are therefore also split 55% Surrey County Council, 24% East Sussex County Council and 21% Brighton and Hove City Council.

Note 28: Exit packages

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

2020/21					2021/22			
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**
86	46	132	**593**	0-20,000	41	80	121	**816**
6	7	13	**365**	20,001-40,000	9	6	15	**392**
				40,001-60,000	2	0	2	**97**
				60,001-80,000	1	0	1	**60**
2		2	**181**	80,001-100,000	1	0	1	**85**
				100,001-150,000				
				150,001 – 200,000				
				200,001 – 250,000				
94	**53**	**147**	**1,139**	**Total cost included in bandings**	**54**	**86**	**140**	**1,449**
	38	**38**	**500**	ADD: Amounts provided for in CIES not yet paid**	**0**	**0**	**0**	**0**
94	**91**	**185**	**1,639**	**Total cost included in CIES**	**54**	**86**	**140**	**1,449**

* Includes cost of pension fund strain where applicable

** Included in the total cost charged to the CIES are movements in the redundancy provision for redundancies that had been approved in 2020/21 but for which no payment had yet been made. There were no redundancies approved in 2021/22 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;

2020/21 £000		**2021/22** £000
	Fees payable to the external auditors with regards to external audit services carried out by the appointed auditor for the year	
192	Grant Thornton	215
4	Fees payable to the external auditors for the certification of grant claims and returns for the year	8
13	CFO Insights Subscription Fee	0
209	Total	**223**

Note 30: Dedicated Schools Grant

The Council's expenditure on schools in 2021/22 was funded primarily by grant monies provided by the Education and Skills Funding Agency (ESFA), the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the schools' budget, as defined in the School and Early Years Finance (England) (no.2) Regulations 2019. The school budget includes elements for a range of educational services provided on an authority-wide basis and for the individual school's budget, which is divided into a budget share for each maintained school, plus allocations for private nursery providers.

In total at the end of 2021/22 there is a cumulative £57.9m deficit on the DSG. This is the net amount from an overspend on the High Needs Block of £78.1m, less unspent balances on the other blocks of £20.2m. The High Needs Block overspend is matched by an ear marked reserve of the same value (see Note 9).

Details of the deployment of DSG receivable for 2021/22 are shown on the table below:

Total 2020/21	Note		Central Expenditure £'000	Individual Schools Budget £'000	Total £'000
907,154	A	Final DSG before academy and high needs recoupment			979,777
(417,812)	B	Less: Academy and high needs recoupment			(461,016)
489,342	C	**Total DSG after academy and high needs recoupment**			**518,761**
0	D	Add: Brought forward from Previous year			-
24,024	E	Add: Carry forward to next year agreed in advance			24,226
513,366	F	**Agreed Initial budget distribuition**	**179,795**	**363,192**	**542,987**
852	G	In year adjustments	39,441	1	39,442
514,218	H	**Final Budget Distribution**	**219,236**	**363,193**	**582,429**
(174,738)	I	Less: Actual central expenditure	(191,272)		(191,272)
(346,573)	J	Less: Actual ISB deployed to schools		(362,159)	(362,159)
-	K	Plus: Local authority contribution	-	-	-
(7,093)	L	**In year carry forward to following year**	**27,964**	**1,034**	**28,998**
(24,024)	M	Less: Carry forward to next year agreed in advance			(24,226)
(31,117)	N	**Carry forward to next year**			**4,772**
0	O	DSG Unusable reserve at 1 April			62,635
62,635	P	Addition to DSG unusable reserve during year			-
62,635	Q	**Total of DSG unusable reserve at 31 March**			**62,635**
62,635	R	**Net DSG deficit at 31 March**			**57,863**

The DSG deficit is made up from various school blocks. The breakdown is as follows:

DSG Block Balances	31/03/2021 £m	31/03/2022 £m
Schools Block	6.370	6.947
Central School Services Block	0.172	0.219
High Needs Block	(83.106)	(118.835)
Early Years Block	13.929	13.306
HNB Safety Valve	0.000	40.500
Total	**(62.635)**	**(57.863)**

NOTES

A	Final DSG figure before deducting academy recoupment and funding for high needs places directly funded by the ESFA, and before the January 2022 early years block adjustment (which will be made in summer 2022)
B	Figure recouped from the authority in 2020/21 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 2020/21 as agreed with the Department This is shown as zero because the brought forward position was actually a deficit
E	Surplus (deficit) which the authority decided after consultation with the Schools Forum to carry forward to 2022/23 (or later year) rather than allocating in 2021/22
F	Initial budgeted distribution of DSG, adjusted for carry forward, as agreed with the schools forum
G	In year adjustments comprise adjustments to budgets for permanently excluded pupils, and reductions in de-delegated budgets for central services as more schools converted to academies
H	Budgeted distribution of DSG as at the end of the financial year.
I	Actual amount of central expenditure items in 2021/22
J	Amount of ISB actually distributed to schools (ISB is regarded for DSG purposes as spent 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 2020/21 There were no such contributions in 2021/22 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	In-year position at end of 2022/23
M	Carry forward to 2022/23 agreed in advance
N	Total carry-forward on central expenditure
O	DSG Unusable reserve at end of 2021/22 - an amount placed in the unusable reserve at the end of 20/21 and 21/22 in accordance with the then MHCLG amending regulations
P	Any addition to DSG unusable reserve in 2021/22 as a result of an in-year deficit in 2021/22
Q	This is the cumulative overspend against DSG at the end of 2021/22, net of £40.5m safety valve contribution received by DfE in 2021/22. Note that this is made up of a deficit on high needs block partly offset by a much smaller surplus on other blocks
R	Net DSG position at the end of 2022/23 (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:

2020/21 £000 Restated	General grants & contributions	2021/22 £000
11,173	Private Finance Initiative Grant	6,976
10,437	Business Rate Grants	10,472
2,505	New Homes Bonus	1,265
42,601	COVID-19 Emergency Funding	19,984
20,972	Social Care Support Grant	21,971
10,199	Other Revenue Grants	13,892
17,078	Education Funding Agency (Schools Basic Need & Schools Condition Allocation)	96,802
36,314	Highways Maintenance & Integrated Transport Grant	22,907
4,079	Capital developer contributions	17,402
3,577	Local Growth Deal	10,589
23,616	Capital contributions from schools	3,621
516	Other Capital grants & Contributions	3,370
183,067		229,252

Grants credited to services are analysed in the following table:

2020/21 £000 Restated		2021/22 £000
497,590	Dedicated Schools Grant	570,704
38,006	Public Health Grant	38,554
8,981	Young People Learning Agency	9,353
12,867	Pupil Premium	12,807
16,530	Teachers Pay and Pensions Grants	702
7,861	Universal Infant Free School Meals	7,437
40,972	Other revenue grants	121,310
622,806	**Total**	760,867

Note 31 has been changed presentationally for 2021/22. The comparative amounts have therefore been reclassified for comparative purposes.

a) The Public Health Grant has been reclassified as grants credited to services from general grants and contribution as per the code of practice
b) The Public Health grant totalled £38,006,000 in 2020/21
c) The grant was incorrectly disclosed in the audited 20/21 statements as per 2.3.2.11 of the Code of Practice.

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 2021/22 is shown in Note 25.

In addition, a survey of the related party interests of members in office during the 2021/22 financial year and their immediate family members was carried out in preparing this statement of accounts. The council had transactions with 26 bodies that members declared an interest in, with a total value of £27.0m. Of this, payments of £4.7m were to Kings International College, in which 1 member declared an interest, £3.6m were to Young Epilepsy in which 1 member declared an interest and £13.9m were to Surrey and Borders Partnership Trust in which 1 member declared an interest.

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 company was dormant in previous years and commenced trading in

the eight months to 31 March 2021, so the year to 31 March 2022 is the first full year of trading.

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

Group accounts for 2021/22 have been prepared and are presented in these accounts to show the combined financial performance and position of the county council, Hendeca Ltd, Surrey Choices Ltd, Halsey Garton Property Ltd and Halsey Garton Residential Ltd.

During 2021/22 the Council received £14.30m in interest payments from Halsey Garton Property Ltd (£15.0m in 2020/21) and £0.6m in recharges from the company for services provided in year (£0.6m 2020/21). As at 31 March 2022 the company owed SCC £234m in long term loans, as well as £0.8m in short term payables, consisting of £0.6m loan interest, £0.01m staff recharges owed and £0.2m staff recharges owed by Halsey Garton Property Ltd.

During 2021/22 the council received £0.4m in interest payments from Halsey Garton Residential Ltd (£0.1m 2020/21) and £0.1m in recharges from the company for services provided in year (£0.1m 2020/21). As at 31 March 2022 the company owed SCC £7.1m in long term loans, as well as £0.03m in short term payables. As at 31 March 2022 SCC owed the company £0.04m in short term payables.

The Council purchased £10.3m of Adult Social Care services from Surrey Choices Ltd (£11.5m in 2020/21). It received £2.2m in recharges from the company for services provided in year (£2.5m in 2020/21). As at 31 March 2022 the company owed SCC £2.1m in long term loans, as well as £0.8m in short term payables.

The Council received £0.5m in recharges from Hendeca for services provided in year (£0.5m in 2020/21). As at 31 March 2022 the company owed SCC £0.3m in short term payables.

During the year the total values of payments made to and received from the group subsidiaries were as follows:

2021/22	Payments		
	Made to	Received From	Net
	£m	£m	£m
Hendeca Group Limited	0.0	0.3	0.3
Halsey Garton Residential Limited	0.1	0.4	0.3
Halsey Garton Property Limited	0.6	14.3	13.7
Surrey Choices Limited	2.2	10.3	8.1
Total	2.9	25.3	22.4

2020/21	Payments		
	Made to	Received From	Net
	£m	£m	£m
Hendeca Group Limited	0.0	0.5	0.5
Halsey Garton Residential Limited	0.1	0.1	0.0
Halsey Garton Property Limited	0.6	15.0	14.4
Surrey Choices Limited	2.5	11.5	9.0
Total	3.2	27.1	23.9

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

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

Surrey Pension Fund

The fee payable by the Surrey Pension Fund to the county council for services provided in 2021/22 was £4.4m (£3.2m in 2020/21). This is split into the fee for providing pension administration services £3.9m (£2.7m in 2020/21) and £0.5m (£0.5m in 2020/21) for treasury management, accounting and managerial services.

During 2021/22 the Council paid employer pension contributions of £74.2m (£70.9m in 2020/21).

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 2021/22 Surrey, East Sussex, and Brighton & Hove operated a joint operating budget to fund business services at each council. (See note 24 for more information).

Note 33: Capital expenditure and capital financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

The CFR is analysed in the following table:

2020/21 £000		2021/22 £000
	Capital Financing	
1,252,227	**Opening Capital Financing Requirement**	**1,341,237**
(12,000)	Adjustment for prior-year PFI Refinancing	
1,240,227	**Opening Capital Financing Requirement**	**1,341,237**
214,976	Property, Plant and Equipment	144,194
1,122	Investment Properties	0
2,103	Intangible Assets	0
24,751	Revenue Expenditure Funded from Capital Under Statute	18,299
9,194	Long Term Debtor	3,122
	Sources of Finance	
(22,050)	Capital receipts	(62,000)
(86,795)	Government grants and other contributions	(79,214)
	Sums set aside from revenue	
(6,455)	Direct revenue contributions	(5,553)
	Application of capital receipts to prior year capital expenditure	
(34,778)	Minimum Revenue Provision	(26,313)
(1,058)	PFI Deferred Income	0
1,341,237	**Closing Capital Financing Requirement**	**1,333,772**
	Explanation of movements in year	
136,846	Increase in underlying need to borrowing (unsupported by government financial assistance)	18,848
	Application of capital receipts	
(34,778)	Minimum Revenue Provision	(26,313)
0	Assets acquired under finance leases	
(1,058)	PFI Deferred Income	0
101,010	**Increase / (decrease) in Capital Financing Requirement**	**(7,465)**

Note 34: Leases

Council as lessee

Operating leases:

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

31 March 2021 £000		31 March 2022 £000
	Operating lease liabilities - land and buildings	
2,529	Not later than one year	2,178
7,453	Later than one year but not later than five years	6,332
11,080	Later than five years	10,024
21,062		18,534

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

2020/21 £000	**Amounts charged to the Comprehensive Income and Expenditure Statement during the year** **Operating leases - land and buildings**	**2021/22 £000**
3,306	Minimum lease payments for the year	3,759

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 2021 £000		**31 March 2022 £000**
	Operating Lease Future Receipts - land and buildings:	
6,348	Not later than one year	5,896
19,637	Later than one year but not later than five years	18,081
58,954	Later than five years	54,614
84,939		78,591

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

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

31 March 2021 Other liabilities Short term	Long-term	Total		31 March 2022 Other liabilities Short term	Long-term	Total
£000	£000	£000		£000	£000	£000
17,249	81,003	98,252	PFI finance lease liabilities (Note 36)	21,771	66,749	88,520
	9,303	9,303	Deferred income liabilities (Note 36)		8,180	8,180
	2,170,813	2,170,813	Pension liabilities (Note 38)		1,887,167	1,887,167
	5,634	5,634	Balances held for third parties		6,149	6,149
17,249	2,266,753	2,284,002		21,771	1,968,245	1,990,016

Note 36: Private finance initiatives and similar contracts

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

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

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

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

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

Property plant and equipment

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

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

The table below summarises the movement:

2020/21				2021/22		
Land & Buildings £000	**Infra-structure £000**	**Asset Under Construction £000**		**Land & Buildings £000**	**Infra-structure £000**	**Asset Under Construction £000**
100,928	76,653	29,039	**Gross cost at 1 April**	100,928	76,653	29,039
			Additions			
			De-recognition			
100,928	76,653	29,039	**Gross Cost at 31 March**	100,928	76,653	29,039
(33,813)	(18,300)		**Accumulated Depreciation and Impairment at 1 April**	(35,792)	(20,217)	
(1,979)	(1,917)		Depreciation charge for the year	(2,013)	(1,917)	
			Impairment losses recognised in the Surplus/Deficit on the Provision of Services			
(35,792)	(20,217)		**Accumulated Depreciation and Impairment at 31 March**	(37,805)	(22,134)	
67,115	58,353	29,039	**Net book Value at 1 April**	65,136	56,436	29,039
65,136	56,436	29,039	**Net book Value at 31 March**	63,123	54,519	29,039

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

Payments remaining to be made under the PFI contract at 31 March 2022 (excluding any estimation of inflation and availability/performance deductions) are as follows:

Payable within one year £000		Payable Within one year £000	Payable within two to five years £000	Payable within six to ten years £000	Payable within 11 to 15 years £000	Payable within 16 to 20 years £000	**Total £000**
	Payment for Services						
56,037	- Waste	58,346	83,994				142,340
7,731	- Care UK	7,731	30,924				38,655
2,912	- Street Lighting	2,923	11,854	15,439	10,339		40,555
66,680		69,000	126,772	15,439	10,339		221,550
	Reimbursement of Capital Expenditure						
14,696	- Waste	19,048	37,455				56,503
121	- Care UK	128	594				722
2,432	- Street Lighting	2,595	12,310	21,168	16,570		52,643
17,249		21,771	50,359	21,168	16,570		109,868
	Interest						
4,524	- Waste	3,135	1,246				4,381
51	- Care UK	44	93				137
5,956	- Street Lighting	5,782	21,036	19,893	6,991		53,702
10,531		8,961	22,375	19,893	6,991		58,220
94,460	**Total**	99,733	199,506	56,500	33,900		389,638

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

2020/21 Finance Lease Liability £000	2020/21 Deferred Income Liability £000		**2021/22 Finance Lease Liability £000**	**2021/22 Deferred Income Liability £000**
(98,366)	(10,362)	**Balance outstanding at 1 April**	(98,252)	(9,303)
114		Payments during the year	3,436	
		Capital expenditure incurred in the year	6,296	
	1,059	Amortisation of deferred income		1,123
(98,252)	(9,303)	**Balance outstanding at 31 March**	**(88,520)**	**(8,180)**

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

31 March 2021 £000		31 March 2022 £000
62	not later than one year	61
238	later than one year but not later than 5 years	234
350	later than 5 years	293
650		588

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 2021/22, the Council paid £48.6m / 23.68%. The 2020/21 equivalents were a payment of £47.8m 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 and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the Council of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period. The Public Health Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to NHS pensions in the year. In 2021/22 the council's liability to pay NHS pensions is being finalised but stands at 16.88% of pensionable pay (2020/21, £533k, 16.88%) The total contribution rate for 2021/22 is 20.68%, the remaining 3.8% not paid by the council is funded by the Department of Health and Social Care.

Note 38: Defined benefit pension schemes

Participation in pension schemes

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

Surrey County Council contributes to two defined benefit schemes:

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

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

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

Transactions relating to post-employment benefits

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

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

	Local Government Pension Scheme		Firefighters' Pension Scheme	
	2020/21	**2021/22**	**2020/21**	**2021/22**
	£000	**£000**	£000	**£000**
Comprehensive Income & Expenditure Statement				
Cost of Services:				
- current service cost	103,411	168,763	7,000	10,200
- past service cost	13	456	0	200
- (gain)/loss on settlements	(6,187)	(3,163)		
Financing & Investment Income & Expenditure				
- net interest on the net defined benefit liability	25,602	30,450	12,500	13,900
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	122,839	196,506	19,500	24,300
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)	(477,740)	(106,779)		
- actuarial gains and losses arising on changes in demographic assumptions	47,789	(15,269)	7,000	(6,900)
- actuarial gains and losses arising on changes in financial assumptions	779,360	(233,633)	132,900	(43,800)
- other experience	(31,514)	(21,616)	5,900	5,900
Total remeasurement of the net defined benefit liability	317,895	(377,297)	145,800	(44,800)
Total Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement	440,734	(180,791)	165,300	(20,500)
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	(127,532)	(196,506)	(19,500)	(24,300)
Actual amount charged against the General Fund Balance for pensions in the year:				
- employers' contributions to the scheme/ retirement benefits paid direct to pensioners	67,182	67,155	15,200	15,200

Pension assets and liabilities recognised in the balance sheet

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

	Local Government Pension Scheme		Firefighters' Pension Scheme	
	2020/21	**2021/22**	**2020/21**	**2021/22**
	£000	**£000**	£000	**£000**
Present value of the defined benefit obligation	(3,741,787)	(3,623,941)	(695,600)	(695,900)
Fair value of plan assets	2,266,574	2,396,674		
Net liability arising from defined benefit obligation	(1,475,213)	(1,227,267)	(695,600)	(695,900)

Assets and liabilities in relation to post-employment benefits

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

	Local Government Pension Scheme		Unfunded Liabilities Firefighters' pension scheme	
	2020/21	**2021/22**	**2020/21**	**2021/22**
	£000	**£000**	£000	**£000**
Opening Balance at 1 April	(2,841,800)	(3,741,787)	(545,500)	(695,600)
Current service cost	(103,411)	(168,763)	(7,000)	(10,200)
Interest cost	(65,390)	(75,779)	(12,500)	(13,900)
Contributions by scheme participants	(19,654)	(21,098)		
Remeasurements:				
- Actuarial gains and losses arising on changes in demographic assumptions	(47,789)	15,269	(7,000)	6,900
- Actuarial gains and losses arising on changes in financial assumptions	(779,360)	233,633	(132,900)	43,800
- Other experience	31,514	48,050	(5,900)	(5,900)
Pensions and lump sum expenditure			15,200	15,200
Benefits paid	77,897	80,601		
Past service costs (including curtailments)	(13)	(456)		(200)
Business Combinations and Disposals	(9,599)	0		
Settlements	15,818	6,389		
Closing balance at 31 March	(3,741,787)	(3,623,941)	(695,600)	(659,900)

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.

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

	Local Government Pension Scheme		Firefighters' pension scheme	
	2020/21	**2021/22**	**2020/21**	**2021/22**
	£000	**£000**	£000	**£000**
Opening fair value of scheme assets at 1 April	1,744,832	2,266,574		
Interest income	39,788	45,329		
Remeasurement:				
Return on assets excluding amounts included in net interest	477,740	80,345		
Employer Contributions	62,255	65,056		
Contributions by scheme participants	19,654	21,098		
Benefits paid	(75,700)	(78,502)		
Business combinations and disposals	7,636	0		
Settlements	(9,631)	(3,226)		
Closing fair value of scheme assets at 31 March	2,266,574	2,396,674		

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total net liability of £1,200m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. The statutory arrangements for funding the deficit, however, mean that the financial position of the Council remains stable:

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

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and the Firefighters' Pension Scheme have been assessed by the Council's actuaries, Hymans Robertson using the latest full valuation of the scheme as at 31 March 2022.

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	
	2020/21	**2021/22**	**2020/21**	**2021/22**
Mortality assumptions:				
- longevity at 65 for current pensioners (60 for firefighters):				
- Men	22.3 years	22.3 years	26.6 years	26.3 years
- Women	24.7 years	24.9 years	28.9 years	28.7 years
- longevity at 65 for future pensioners (60 for firefighters):				
Men	23.4 years	23.1 years	27.9 years	27.7 years
Women	26.4 years	26.3 years	30.3 years	30.1 years
Rate of inflation	2.9%	3.2%	3.3%	3.7%
Rate of increase in salaries	3.8%	4.2%	3.3%	3.7%
Rate of increase in pensions	2.9%	3.2%	2.9%	3.2%
Rate for discounting scheme liabilities	2.0%	2.7%	2.0%	2.7%

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

Sensitivity analysis

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

	Local Government Pension Scheme		Firefighters' Pension Scheme	
	Approximate % increase to employer liability	Approximate monetary amount	Approximate % increase to employer liability	Approximate monetary amount
		£000		£000
0.1% decrease in real discount rate	2%	67,546	10%	65,837
1 year increase in member life expectancy*	4%	144,958	3%	19,622
0.1% increase in the salary increase rate	0%	5,762	<1%	5,681
0.1% increase in the pension increase rate	2%	61,269	8%	54,609

*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 2021 Quoted prices in active markets £000			31 March 2022 Quoted prices in active markets £000	
		Quoted prices in active markets		
		Equity securities		
49,096	2%	Consumer	41,928	2%
24,725	1%	Manufacturing	33,430	1%
4,774	0%	Energy & utilities	7,432	0%
29,536	1%	Financial institutions	27,813	1%
20,771	1%	Health & care	28,631	1%
68,610	3%	Information technology	74,996	3%
0		Other	0	
197,512			214,230	
		Debt securities		
		UK government	79,771	3%
		Other		
0			79,771	
		Real estate		
32,443	2%	UK property	95,625	4%
0		Overseas property	51,084	2%
32,442			146,709	
		Investment funds & unit trusts		
1,341,960	59%	Equities	1,407,328	59%
285,853	13%	Bonds	262,498	11%
		Other		
1,627,813			1,669,826	
		Derivatives		
		Interest rate		
6,920	0%	Foreign exchange	(9,705)	0%
6,920			(9,705)	
51,589	2%	Cash & cash equivalents	60,314	3%
1,916,276			2,161,145	
		Sub-total		
		Quoted prices in non-active markets		
155,482	7%	Private Equity	235,529	10%
105,051	5%	Debt Securities: UK government		
49,731	2%	Real Estate: UK		
40,034	2%	Real Estate: Overseas		
350,298			235,529	
2,266,574	100%	**Total**	2,396,674	100%

Asset and liability matching strategy

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

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

Impact on the Council's cash flows

The council has a stabilisation strategy in place to keep employer contributions at a consistent rate as possible. The council has agreed a strategy with the fund's actuary to achieve 100% funding over the next 15-20 years. The council's employer contribution rate is set at a level to help achieve this objective. The contribution level is periodically reviewed as part of the triennial valuation to ensure it is appropriate. The most recent review was as at the 31 March 2022.

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

The council expects to make employer contributions of £57.016m to the LGPS in 2022/23.

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 2021/22 £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

31/03/2021 £000		31/03/2022 £000
15,455	Interest received	15,055
(18,246)	Interest paid	(28,673)
0	Dividends received	0

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

31/03/2021 £000		31/03/2022 £000
80,204	Depreciation	89,985
(520)	Impairment and downward valuations	(620)
1,423	Amortisation	1,929
0	Increase/(decrease) in impairment for bad debts	0
55,117	Increase/(decrease) in creditors	(11,268)
(755)	(Increase)/decrease in debtors	(51,000)
(140)	(Increase)/decrease in inventories	186
64,650	Movement in pension liability	138,700
76,599	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	49,900
14,324	Other non-cash items charged to the net surplus or deficit on the provision of services	(17,997)
290,902		199,815

The cash flow note format has changed for 2021/22. The 2020/21 cash flow notes have been restated using the same revised methodology but the final cash flow numbers remain the same.

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

31/03/2021 £000		31/03/2022 £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
(48,405)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,681)
(84,923)	Any other items for which the cash effects are investing or financing cash flows	(154,941)
(133,328)		(156,622)

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

31/03/2021 £000		31/03/2022 £000
(218,201)	Purchase of property, plant and equipment, investment property and intangible assets	(145,048)
(8,618)	Purchase of short-term and long-term investments	(985)
	Other payments for investing activities	
48,405	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,681
0	Proceeds from short-term and long-term investments	0
84,923	Other receipts from investing activities	154,692
(93,491)	Net cash flows from investing activities	10,340

Note 42: Cash flow statement – Financing Activities

31/03/2021 £000		31/03/2022 £000
47,202	Cash receipts of short- and long-term borrowing	53,888
0	Other receipts from financing activities	0
(114)	Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts	(15,377)
0	Repayments of short- and long-term borrowing	(57,744)
0	Other payments for financing activities	0
47,088	Net cash flows from financing activities	(19,233)

Group Accounts

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

Halsey Garton Property Ltd has two subsidiaries, of which only one was trading as at 31 March 2022. The economic activities and financial position of the Halsey Garton Property Group is included within these group accounts.

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

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

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

Group Comprehensive Income & Expenditure Statement

Year ended 31 March 2021 (Restated) Gross Expenditure	Income	Net Expenditure	Gross Expenditure	Year ended 31 March 2022 Gross Expenditure	Income	Net Expenditure
£000	£000	£000		£000	£000	£000
636,743	(280,569)	356,174	Children, Families, Learning & Culture	634,618	(298,912)	335,706
293,951	(297,096)	(3,145)	Delegated Schools	350,672	(344,916)	5,756
600,342	(191,626)	408,716	Adult Social Care	608,460	(199,567)	408,893
40,286	(10,845)	29,441	Public Health	62,931	(69,275)	(6,344)
54,584	(9,597)	44,987	Community Protection	65,061	(10,675)	54,386
209,569	(25,048)	184,521	Transport & Environment	201,723	(21,952)	179,771
90,529	(43,082)	47,447	Resources	148,039	(77,579)	70,460
1,633	(183)	1,450	Transformation, Partnership & Prosperity	1,451	(33)	1,418
24,104	(18,498)	5,606	Central Income & Expenditure	296	(57,267)	(56,971)
1,951,742	**(876,544)**	**1,075,198**	**Total services' revenue expenditure**	**2,073,251**	**(1,080,176)**	**993,075**
18,854	(28,364)	**(9,510)**	Other Operating Income & Expenditure	73,041	(41,684)	**31,357**
168,940	(65,841)	**103,099**	Financing & Investment Income & Expenditure	87,536	(77,837)	**9,699**
	(837,747)	**(837,747)**	Local Taxation		(917,667)	**(917,667)**
	(229,206)	**(229,206)**	General grants & contributions		(229,252)	**(229,252)**
2,139,536	**(2,037,702)**	**101,834**	**(Surplus)/Deficit on Provision of Services**	**2,233,828**	**(2,346,616)**	**(112,788)**
		938	Tax expense of subsidiaries			**3,145**
		102,772	**Group (surplus)/deficit**			**(109,643)**
		(63,006)	(Surplus) or deficit on revaluation of non-current assets			**(95,033)**
		465,205	Remeasurement of the net defined benefit liability			**(422,097)**
		402,199	**Other Comprehensive Income & Expenditure**			**(517,130)**
		504,971	**Total Comprehensive Income & Expenditure**			**(626,773)**

There was a restructure in July 2021 which meant that Transformation, Partnership and Prosperity was split into Public Service Reform and Public Health, Resources and Prosperity, Partnerships and Growth. Gross Expenditure and Income within the 20/21 group CIES were restated to reflect adjustments made during this restructure and for comparative purposes.

Group Movement in Reserves Statement

2021/22	General Fund and Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants & Contributions Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000	SCC Share of Subsidiary Reserves £000	Total Group Reserves £000
Balance at 31 March 2021	**(394,029)**	**(64,463)**	**(94,961)**	**(553,453)**	**1,318,817**	**765,363**	**79,113**	**844,477**
(Surplus) or deficit on provision of services	**(112,788)**			**(112,788)**		**(112,788)**	**3,145**	**(109,643)**
Other comprehensive income & expenditure					**(517,130)**	**(517,130)**		**(517,130)**
Total comprehensive income & expenditure	**(112,788)**			**(112,788)**	**(517,130)**	**(629,918)**	**3,145**	**(626,773)**
Adjustments between Group Accounts and Surrey County Council Accounts	**53,362**			**53,362**		**53,362**	**(53,362)**	**0**
Adjustments between accounting basis & funding basis under regulations	**(7,804)**	**63,681**	**(94,224)**	**(38,347)**	**38,347**	**0**		**0**
Increase/decrease in year	**(67,230)**	**63,681**	**(94,224)**	**(97,773)**	**(478,783)**	**(576,556)**	**(50,217)**	**(626,773)**
Balance at 31 March 2022	**(461,259)**	**(782)**	**(189,185)**	**(651,226)**	**840,034**	**188,808**	**28,896**	**217,704**

2020/21	General Fund and Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants & Contributions Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000	SCC Share of Subsidiary Reserves £000	Total Group Reserves £000
Balance at 31 March 2020 Restated	(315,990)	(44,970)	(93,078)	(454,038)	731,571	277,533	61,974	339,507
(Surplus) or deficit on provision of services	102,771			102,771		102,771		102,771
Other comprehensive income & expenditure					400,689	400,689	1,510	402,199
Total comprehensive income & expenditure	102,771			102,771	400,689	503,460	1,510	504,970
Adjustments between Group Accounts and Surrey County Council Accounts	(15,629)			(15,629)		(15,629)	15,629	0
Adjustments between accounting basis & funding basis under regulations	(165,181)	(19,493)	(1,883)	(186,557)	186,557			
Increase/decrease in year	(78,039)	(19,493)	(1,883)	(99,415)	587,246	487,831	17,139	504,970
Balance at 31 March 2021	(394,029)	(64,463)	(94,961)	(553,453)	1,318,817	765,365	79,113	844,477

Group Movement in Reserves Statement

The opening balances on the 20/21 group MIRS were restated to reflect adjustments made during the 2020/21 audit and to adjust for presentational changes made to the Group MIRS for 2021/22. These changes do not affect the group total reserve position as at 31 March 2022 but the Group MIRS for 2020/21 has been restated for comparative purposes.

Group Balance Sheet

As at 31.03.2021 £000		Note:	As at 31.03.2022 £000
1,865,351	Property, plant & equipment		1,939,675
1,024	Heritage assets		1,024
373,562	Investment property	5	441,058
7,957	Intangible assets		3,588
37	Long term investments	6	263
8,208	Long term debtors	6	2,780
2,256,140	**Long term assets**		**2,388,388**
	Short Term:		
	Intangible assets		
0	Assets held for sale		27,710
1,441	Inventories		1,255
138,821	Short term debtors		190,577
83,369	Cash & cash equivalents		179,318
223,632	**Current Assets**		**398,860**
	Short Term:		
(286,176)	Borrowing		(237,996)
(260,930)	Creditors		(269,648)
(3,949)	Provisions		(3,480)
(23,947)	Revenue grants receipts in advance		(1,511)
(34)	Capital grants receipts in advance		(34)
(17,249)	Other current liabilities		(21,771)
(592,285)	**Current liabilities**		**(534,440)**
(22,253)	Provisions		(13,022)
(442,957)	Long term borrowing		(487,281)
(2,266,753)	Other long term liabilities		(1,970,208)
(2,731,963)	**Long term liabilities**		**(2,470,511)**
(844,476)	**Net assets/liabilities(-)**		**(217,704)**
(471,104)	Usable reserves		(654,250)
1,318,816	Unusable reserves		871,954
844,476	**Total Reserves**		**217,704**

Group Cash Flow Statement

31/03/2021 £000 Restated		Note	31/03/2022 £000
(102,771)	Net surplus or (deficit) on the provision of services		109,643
305,847	Adjustment to surplus or deficit on the provision of services for noncash movements	8	151,821
(133,328)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(156,622)
69,748	Net Cash flows from operating activities		104,842
(93,187)	Net Cash flows from Investing Activities		10,340
47,088	Net Cash flows from Financing Activities		(19,233)
23,649	Net increase or decrease in cash and cash equivalents		95,949
60,721	Cash and cash equivalents at the beginning of the reporting period		83,369
83,369	Cash and cash equivalents at the end of the reporting period		179,318

Note that the disclosures for the year to March 2021, have been restated for comparative purposes. Surrey County Council has used the CIPFA Cash Flow model for the first time in 2021/22. In addition the use of this new model has increased the cash flow disclosure notes showing additional information. The opening and closing balances have not changed and the cash and cash equivalent figures in the statements have not changed. The disclosures have changed to reflect the CIPFA cash flow model.

The cash flows from operating activities in 2021/22 include interest received of £15.6m (2020/21, £15.3m) and interest paid of £18.1m (2020/21, £32.7 m).

Note 1: General

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

Note 2: Group boundary

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

- Hendeca Group Ltd – Provides business services such as IT data storage and Fire support services.
- Surrey Choices Ltd - The company delivers day services and community support options for people with disabilities and older people.
- Halsey Garton Property Ltd – is a property investment company. It acts as a holding company for two subsidiaries; Halsey Garton Property Investments Ltd,and Halsey Garton Property Developments Ltd. At 31/03/2022 only the holding company and Halsey Garton Property Investments Ltd were trading and therefore only the economic activity of these companies has been incorporated into the group accounts.
- Halsey Garton Residential Ltd – is a company set up for the letting and operating of own or leased rental estate. The company was dormant in previous years and commenced trading in the eight months to 31 March 2021, so the year to 31 March 2022 is the first full year of trading. Halsey Garton Residential transactions were not material for the 8 months it was trading during the 2020/21 financial year and so was not consolidated into the statements for that year.

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

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

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

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

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

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

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

Note 3: Accounting policies

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

Note 4: Material Items of income & expenditure

During 2021/22 there was no material items of Income and Expenditure other than those disclosed in Surrey County Council's accounts.

Note 5: Investment properties

The group 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. These properties are currently being leased to private tenants, producing rental income. As the properties were solely being used to generate income at the 31 March 2022, under the code of practice they are classed as investment properties.

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

2020/21		**2021/22**
£000		**£000**
25,404	Rental income from investment property	25,645
(1,987)	Direct operating expenses arising from investment property	(3,246)
23,417	Net gain	22,399
(27,767)	Net (loss)/gain on fair value adjustments	55,805
(4,350)	Income & expenditure in relation to investment properties	78,204

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

2020/21		**2021/22**	Office	Indust-rial	Retail	Other	Fair Value Hierarchy
£000		**£000**	£000	£000	£000	£000	
401,739	Balance 01/04/2021	373,562	146,372	58,450	143,155	25,585	Level 3
1,123	Purchases	11,524	380	0	0	11,144	
(1,590)	Reclassifications	(247)	(247)	0	0	0	
0	Disposal	0	0	0	0	0	
(27,710)	Net gain/(loss) from fair value adjustments	56,220	9,845	11,900	23,550	10,925	
373,562	Balance at 31/03/22	441,058	156,350	70,350	166,705	47,653	Level 3

Details of the authority's investment properties and information about the fair value hierarchy at 31 March 2022 and 2021 are as follows:

Recurring fair value measurements using:	Quoted markets in active markets for identical assets (Level 1) £000s	Other significant observable inputs £000s	Significant unobservable inputs (Level 3) £000s	Fair value as at 31 March 2022 £000s
Residential (market rental) properties	-	-	47,653	47,653
Industrial	-	-	70,350	70,350
Office units	-	-	156,350	156,350
Commercial units	-	-	166,705	166,705
Total	-	-	441,058	441,058

Recurring fair value measurements using:	Quoted markets in active markets for identical assets (Level 1) £000s	Other significant observable inputs £000s	Significant unobservable inputs (Level 3) £000s	Fair value as at 31 March 2021 £000s
Residential (market rental) properties	-	-	25,585	25,585
Industrial	-	-	58,450	58,450
Office units	-	-	146,372	146,372
Commercial units	-	-	143,155	143,155
Total	-	-	373,562	373,562

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. Asd a non financial asset, an investment property is measured at its highest and best use. Highest and best use is determined only from the perspective of market participant, even if the Council intends a different use. Restrictions on the sale or use use of an asset affects its fair value only if market participants would also be impacted by those restrictions. Alternative uses of those assets are considered if there is an alternative use that would maximise their fair value. However, the Council is not required to perform an exhaustive search for other potential uses of the assets if there is no evidence to suggest that the current use of an asset is not its highest and best use. The properties are categorised as Level 3 in the fair value hierarchy as the measurement technique uses significant unobservable inputs to measure the fair value. The valuation techniques used, are the market approach and income approach using estimated land values, sales values, rents and yield. In estimating the fair value of the investment property, the highest and best use is the current use.

Note 6: Financial instruments

Categories of Financial Instruments

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

Financial Assets	**1 April 2021**	**31 March 2022**
Fair value through profit or loss		
Long Term Investments		
Cash	**59,400**	**140,700**
Total	**59,400**	**140,700**

	£000	**£000**
Amortised Cost		

Financial Assets	1 April 2021	31 March 2022
Fair value through profit or loss		
Long Term Investments		
Cash	**59,400**	**140,700**
Total	**59,400**	**140,700**

	£000	**£000**
Long Term Investments	37	263
Long Term Debtors	8,208	2,780
Short Term Debtors	104,308	69,733
Cash	23,969	38,618
Total	136,523	111,393
Total Financial Assets	195,923	252,093
Non-Financial Assets	2,283,848	2,535,154
Total	2,479,771	2,787,247

Note 7: External audit costs

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

2020/21 £000		**2021/22** £000
	Fees payable to the external auditors with regards to external audit services carried out by the appointed auditor for the year	
192	Grant Thornton	215
62	UHY Hacker Young	77
4	Fees payable to the external auditors for the certification of grant claims and returns for the year	8
13	CFO Insights Subscription Fee	0
271	Total	**300**

Note 8: Group Cash Flow

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

31/03/2021 £000		31/03/2022 Group £000
80,204	Depreciation	89,985
(520)	Impairment and downward valuations	(620)
1,423	Amortisation	1,929
0	Increase/(decrease) in impairment for bad debts	0
57,059	Increase/(decrease) in creditors	(10,115)
(3,617)	(Increase)/decrease in debtors	(51,034)
(140)	(Increase)/decrease in inventories	186
64,650	Movement in pension liability	138,700
76,599	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	49,872
30,189	Other non-cash items charged to the net surplus or deficit on the provision of services	(67,082)
305,847		151,821

ANNUAL GOVERNANCE STATEMENT 2021/22

Surrey County Council has a responsibility for ensuring that its business is conducted in accordance with the law and proper standards, that there is a sound system of governance, appropriate controls are in place and that public money is safeguarded and properly accounted for. This Annual Governance Statement describes significant organisational and service activities during 2021/22, progress against key issues raised in last year's governance review and identifies key areas of focus for 2022/23, and provides assurance the Council is complying with its Code of Governance and the CIPFA/SOLACE Framework "Delivering Good Governance in Local Government" (2016).

Organisational Governance

Surrey Community Vision

Notwithstanding the continued challenges and impacts brought about by Covid-19, the 2030 Community Vision and Organisation Strategy have remained key to providing the continued focus to support residents and communities during 2021/22.

The Surrey Forum was established in 2021 as a multi-agency partnership set up to provide strong and visible leadership for Surrey and realise the full economic, social, and environmental potential of the county. The Forum brings together partners from Surrey County Council, district and borough councils, the business community, higher and further education, and the voluntary community and faith sector (VCFS). It complements existing partnerships and enables partners to better co-ordinate, align and collaborate as the county emerges from Covid-19. The Surrey Forum will work closely with the existing Strategic Partnership Boards (Health and Wellbeing Board, One Surrey Growth Board, Greener Futures Board) who oversee and respond to significant issues in Surrey.

Covid 19 – ongoing recovery

The Recovery Co-ordinating Group (RCG), established by the Surrey Local Resilience Forum in April 2020 to co-ordinate and manage the impacts of the Covid-19 pandemic across Surrey, was stood down in July 2021. The work of the RCG was focused on shorter term 'restart and restore' actions, with existing agencies and partnerships identified to have accountability for medium- and longer-term actions. Where issues did not have a relevant group to take them forward, some new processes/partnerships were established (e.g. Surrey Interfaith Forum, Surrey Charities Forum). As well as identifying delivery partners for the actions, strategic partnerships (e.g. Health and Wellbeing Board) took on a governance role to ensure the proposed actions were fully considered, implemented, and communicated as appropriate. Written documentation was produced recording the agreed allocation of delivery and oversight responsibilities. The impact of the pandemic, as well as recovery across the county was measured through datasets brought together in the Local Recovery index (https://www.surreyi.gov.uk/local-recovery-index/). Updates on Covid 19 recovery and the legacy of 'Building Forwards Better' is reported to the Surrey Forum.

Twin track and budget

Although significant progress has been made over the last twelve months to improve the Council's financial position, the medium-term financial outlook remains uncertain and financial resources will continue to be constrained. Existing approaches to delivering efficiencies will be largely exhausted by 2022/23 so a 'twin track' approach will be in place going forward, running the 2022/23 budget setting process whilst simultaneously developing a new cross cutting approach to identifying and delivering efficiencies from 2023/24 onwards. This approach helps plan overall outcomes and will help put the Council on a stable financial footing over the medium term. It also sets in train a more ambitious transformation programme which will be more collaborative both internally and with partners. Outcomes from the twin track work will significantly influence the shape of the transformation programme from 2023/24 onwards.

Workforce

The key focus in 2021/22 has once again been to support the Council through the Covid pandemic and providing the appropriate guidance, particularly with regards to frontline staff who support some of our most vulnerable residents. There was increased activity around wellbeing communications and webinars, particularly addressing mental health issues, stress and fatigue.

The Council's Agile Transformation Programme has seen real acceleration during the year, with staff adopting different working practices and using technology to facilitate virtual collaboration and hybrid meeting practices across different sites. Internal communications continue to support staff with practical information, advice and support, but also providing Chief Executive and Executive Directors' blogs and vlogs to communicate key messages, as well as to share best practice, recent updates and engaging content.

The Council's Equality, Diversity and Inclusion action plan was refreshed in March 2022 with a greater emphasis to support residents and our workforce with protected characteristics, and those who experience other inequalities (such as socio-economic inequality) to have more opportunities to have improved outcomes. There has been increased focus on our employee reference groups (ERG's) and sponsorship from the Corporate Leadership Team has provided support in some of the challenges that are faced by our diverse workforce.

The latter part of 2021/22 has seen the progression of our "Workforce of the Future" strategy to provide focus to key people priorities around our Pay & Reward offer, new approaches to attracting younger candidates and supporting youth groups into work and a renewed focus has been concentrated on tackling specific attraction, recruitment and retention issues across the Council.

Health Integration

The health and care landscape has undergone significant change this year in preparation for the passage of the Health and Care Act. The Act abolishes the Clinical Commissioning Groups (CCGs) that formerly held statutory responsibility for health commissioning for local populations and replaces them with Integrated Care Systems (ICS). From July 2022, these new legal entities will assume the responsibilities previously held by CCGs and additional commissioning responsibilities delegated by NHS England including ophthalmology, dentistry, and pharmacy. The ICS replicate the previous geographic footprint of the CCGs and therefore Surrey County Council is a statutory partner in two ICS - Surrey Heartlands Integrated Care Partnership and Frimley Integrated Care Partnership.

During 2021/22 Surrey County Council has been working closely with both ICSs to support the development of these new organisations, including the relationship between new the Integrated Care Partnerships and existing Surrey-wide statutory bodies such as the Health and Wellbeing Board. During this year the Council has built on the positive partnership working of the initial pandemic response with continue support to hospital discharge, infection control in care homes managing health and care outside of hospital settings and supporting the testing and vaccination programmes. The two new joint roles within Surrey Heartlands Integrated Care System, the Executive Director for Public Service Reform and the Executive Director for Integrated Commissioning and Adult Social Care have established integrated teams and these joint working arrangements are being formalised. The Health and Wellbeing Board, in implementation of the refreshed Health and Wellbeing Strategy, have agreed a number of priority populations for whom efforts to address health inequalities within Surrey will be focused.

Service-specific governance considerations

Children's Services

The Ofsted inspection in early 2022 found that services for children and families in Surrey have improved in all areas meaning that the service is no longer in intervention. The inspectors found that the service requires improvement to be rated as good but had 'improved' since the last inspection in 2018.

The Youth Offending Service (YOS), which works with some of our most disadvantaged young people, has been recognised as 'Good' by HM Inspectorate of Probation (HMIP), having been 'Inadequate' in 2019.

Oversight and scrutiny of the improvements to children's services continue to take place at the Surrey Safeguarding Children's Partnership, the Surrey Corporate Parenting Board and the Children, Families, Lifelong Learning & Culture Select Committee. Detailed action plans are in place which will take the service through to the next full inspection.

Surrey County Council, along with many other councils, has seen an increase in the cost of supporting young people with special educational needs and disabilities (SEND). The costs are charged to the High Needs Block of the Dedicated Schools Grant (DSG). Over the last few years, costs have outstripped the DSG grant received as demand has increased and there is a DSG deficit of £118m in the balance sheet by 31 March 2022. As the DSG is ring-fenced, there can be no direct contribution from the General Fund. The council has created an "Offsetting Reserve" equal to the DSG deficit to ensure stability and resilience in the balance sheet. A SEND Transformation programme has been set up to bring about the changes needed to reduce demand and costs. In March 2022, the council successfully negotiated a "Safety Valve" Agreement with the Department for Education (DfE). The agreement involves delivering on all aspects of the Transformation programme, in return for £100m from the DfE alongside £144m contribution from the existing council reserve set up to offset the costs, and transfers from the Schools Block and DSG balances.

Rethinking Waste programme - Waste Procurement

Following an extensive data gathering and engagement exercise with the waste market, all Surrey Districts and Boroughs and peer Waste Disposal Authorities (county and unitary councils), the Council will shortly be commencing the re-procurement of Waste Disposal Authority Service contracts to move away from an integrated contract to several separate contracts for specific elements of the service, ahead of the conclusion of the current arrangements in September 2024. These proposals have been examined by the Communities, Environment & Highways Select Committee and members of the Committee have supported the proposals.

The Rethinking Waste programme is governed by a programme board chaired by the Executive Director for Environment Transport and Infrastructure and overseen by the Major Projects Board. Challenges regarding how the Eco Park will be taken to market are currently being considered by the Eco Park member reference group as well as CLT and a wider team of subject matter experts.

My Surrey

The Digital Business & Insights (DB&I) programme to implement a new Enterprise Resource Planning (ERP) system commenced in September 2020. The new system (MySurrey) go live was due to be implemented during the year but has been delayed twice due to data migration and HR requirements scope issues, which has led to additional funding requirements. Following a period of re-planning, a revised critical path for the launch of MySurrey later in the year has been agreed with senior stakeholders.

The Deputy Chief Executive and Executive Director of Resources is the Senior Responsible Officer for the Programme and chairs the Strategic Programme Board which oversees the project and makes strategic decisions, allocates resources and manages issues and risks. Where appropriate, strategic risks for the programme are escalated to the Council's Corporate Risk Register.

Highways Contract

The current arrangements to deliver highways maintenance and improvement activities expired in April 2022 and a new contract arrangement was put in place. A "Competitive Procedure with Negotiation" procurement exercise was completed to identify the next provider and the winning bidder was presented to Cabinet in September 2021.

A Member Reference Group from the Communities, Highways and Transport Select Committee supported and scrutinised the development of the procurement strategy, the outputs of the procurement process and, more recently, the mobilisation phase. During the procurement phase progress reports were presented to Informal Cabinet and the Major Projects Board and have continued into the mobilisation phase – this has allowed opportunity for assurance of the programme's progress against the timeline, feedback on emerging themes and to enable input and steer the process as it evolved.

Surrey Fire and Rescue Service

An inspection by Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) reported in December 2021 that since the last inspection in 2018, Surrey Fire and Rescue Service had made good progress and has resolved two performance concerns regarding managing its resources and responding to emergencies. However, the report judged that the service still requires improvement at effectively and efficiently keeping people safe and secure from fire and other risks and requires improvement at looking after its people. Further changes are also needed, including measuring the impact of its fire prevention work, testing its plans for dealing with major incidents, such as a terrorist attack, and ensuring there is a robust recruitment and retention plan.

Adult Social Care

Officers are currently working through the implications and financial modelling of the Social Care Reform changes, due to come in to force in October 2023. The financial implications of the workforce changes needed, the funding cap and establishing the fair cost of care are dependent on the level of government support provided, which so far is not clear. Officers are working with colleagues in other councils to ensure government is fully appraised of the risk implications and costs.

Governance Systems Assurance

During the year an updated risk strategy and framework was approved by the Audit and Governance Committee and updated in the Constitution of the Council. A new format risk register was developed and embedded in each Directorate to focus on the underlying causes of risks, the possible effects and the controls and mitigations. In addition, a Corporate Risk Register and Corporate Risk Heat Map have been established to clearly identify the top risks faced by the Council.

The annual review of corporate governance policies and process was carried out by the Council's Governance Panel, and Internal Audit completed a review of corporate governance. Both reviews concluded that governance systems are in place with many being updated and improved throughout the year. The reviews recommended that further work could improve accessibility, training, and communication of key governance systems to give more confidence these were understood and embedded across the organisation.

A full Member Induction Training Programme was delivered to all new and returning County Councillors following the County Council elections in May 2021 covering the core elements of Council governance including the Code of Conduct, members interests, data protection and security, member/officer relations and the use of social media.

A twelve-month review was carried out following the Council's adoption of a new Code of Conduct for councillors in May 2021. The Code expanded on the previous principles-based Code and introduced specific obligations on councillors. The Council also introduced a new procedure for considering complaints which emphasised informal resolution and a criteria-based assessment of complaints. The review concluded members were aware of the Code of Conduct, understood the policy and it was considered fit for purpose. No breaches of the Code were found.

The council's External Auditor's report on value for money published in February 2022, which looked at the year 2020/21, reported improvements have been made in the areas of financial sustainability and improving economy, efficiency and effectiveness. The report identified only two key weaknesses and recommended firstly; the pensions transformation programme should continue to be implemented to clear the backlog of pensions administration work, and secondly; the Council should continue to focus on the implementation of the Children's Services improvement plan. The External Auditor noted that both these weaknesses were identified by the Council in last year's Annual Governance Statement with transformation programmes already in place by the Council to address failings, which have been monitored and reported on during the year.

The Council's financial management arrangements during 2021/22 fully complied with CIPFA's Statement on "The Role of the Chief Finance Officer" (CIPFA, 2010). The Deputy Chief Executive and Executive Director of Resources (s151) met his financial responsibilities during the year and ensured financial management arrangements were in place. He reports directly to the Chief Executive and had regular contact with the Leader and key Members, Monitoring Officer, Chief Internal Auditor and other Executive Directors.

An assessment of compliance with the CIPFA Financial Management Code was undertaken during the year. The review concluded that the Council could demonstrate overall compliance with the standards, evidence could be strengthened for a small number of indicators, and there are several areas where, because of various changes over the past two years including the Finance Improvement Programme and the Finance Academy, the Council's arrangements exceed the standards.

During the year an Independent Member was appointed to the Audit and Governance Committee for a period of four years.

The Chief Internal Auditor has provided reasonable assurance that the council has in place an adequate and effective framework of governance, risk management and internal control for the period 1 April 2021 to 31 March 2022. Overall, whilst the majority of audit opinions issued in the year were generally positive, internal audit activities have identified a number of areas where the operation of internal controls has not been fully effective, as reflected by one minimal assurance opinion and eight partial assurance opinions issues in the year. Actions have been agreed with management to address weaknesses in control identified in these reviews.

The Council's governance arrangements for 2021/22 are regarded as fit for purpose and are in accordance with the governance framework shown in Annex A. The Council is committed to maintaining these arrangements and ensuring that the improvements required are prioritised and sufficiently resourced. The action plans below show progress on the improvement areas identified last year and the areas for improvement this year.

2020/21 Annual Governance Statement Action Plan – Follow Up

Issue identified during 2020/21	Action taken during 2021/22
Children's Services To continue to make improvements in our Children's Services.	Continued focus on Children's Services improvement through oversight and scrutiny of action plans and ongoing activity. Update provided on page 3 of the AGS.

Issue identified during 2020/21	Action taken during 2021/22
	Improvement in Children's Services are ongoing and will continue to be reviewed by external inspectors.
Pensions Administration To continue improvements in the Pensions Administration service and integrate with the Pension Fund team.	The Pensions Transformation Programme has continued to address improvements in people, process, and technology. The new organisational structure is now a single team encompassing, investments, accounting, governance, and administration for a sovereign Surrey Fund. Improvements in Pensions Administration are ongoing and included in the 2022/23 AGS action plan.
Governance To promote good governance not only through systems and process but emphasise behavioural characteristics and values.	The centre for governance and scrutiny are part way through a review of the organisational characteristics, behaviours, and values which evidence good governance in all its elements, to promote high standards across the organisation. Included in the 2022/23 action plan
Land and Assets Improving the effectiveness, efficiency and commercialisation of the Land and Property function to ensure it supports service delivery to residents and organisational objectives for the council.	A Land and Property "purpose and Strategy" program has focused on: -implementing Planon – an integrated property work management system; -a new project planning and risk framework for all capital projects; -a culture, values, and skills project for all staff; -a new operating model for facilities management; -a review of finance, risk, audit recommendations, performance, and stakeholder engagement.
Risk Management To continue to develop the Council's risk management approach and embed across the organisation.	A new risk management framework has been introduced. Risk registers are in place for each Directorate and being updated as a live document. As required, risks are escalated to the Corporate Risk Register to provide a view of the top risks that could impact the Council (or de-escalated as appropriate). Risk management arrangements continue to develop, and updates are provided to Cabinet and assured through the Audit and Governance Committee.
Company Governance To ensure the Council's companies meet best practice in	Further improvements have been made to the governance arrangements for Council companies including, business planning, oversight, training and development on the role and

Issue identified during 2020/21	Action taken during 2021/22
oversight, planning and governance arrangements.	responsibilities of directors and conflicts of interest, risk management reporting and scrutiny.

2022/23 Annual Governance Statement Action Plan

Issue identified during 2021/22	Action to be taken during 2022/23
Pensions Administration To continue improvements in the Pensions Administration service and integrate with the Pension Fund team.	Transition the Pensions Helpdesk and control of Pensions Bank Account. Finalise induction approach and “about us” video. Implement recommendations from Value Stream Mapping work (with systems provider Heywoods).
DB&I programme - MySurrey To ensure the DB&I programme is implemented successfully.	The programme will complete go-live of the new fully integrated Unit4 solution to manage the Council’s back-office finance, procurement, HR and payroll processes in addition to payrolls for external customers. The focus in the coming months is the completion of user acceptance testing, payroll parallel running and delivery of the required tasks to transition the Council from SAP to Unit4 in time for go-live.
Governance To promote good governance not only through systems and process but emphasise behavioural characteristics and values.	The Governance Panel will coordinate improved accessibility, training, and communication of key governance systems. A Surrey Approach to cultural and behavioural governance will be implemented focusing on:- -Extent of recognition of individual and collective responsibility for good governance. -Awareness of political dynamics. -How the council looks to the future to set its decision-making priorities. -Officer and councillor roles. -How the council’s real situation compares to its sense of itself. -Quality of local (external) relationships. -The state of member oversight through scrutiny and audit.
Children’s Services Improvement To continue to make improvements in our Children’s Services.	An action plan will be submitted to Ofsted by 22 June to focus improvement on -The quality and effectiveness of assessments and plans for all children, including disabled children, homeless 16- and 17-year-olds and privately fostered children. -Partnership work to secure support for children and young people’s mental health and well-being

Issue identified during 2021/22	Action to be taken during 2022/23
	-The provision of essential information to carers about children and viability assessments to inform placements with friends or family. -The sufficiency of suitable accommodation for young people, including care leavers. -The quality and impact of supervision to ensure that decisions are timely and support the progression of children's plans. -The proportion of permanent staff, to reduce turnover.
Surrey Fire and Rescue Service To continue to make improvements in SFRS.	Action plans will be regularly monitored and reported to the select committee against the following key actions Effectiveness – up to date risk information; evaluations of its prevention work; quality assurance process and audits; cross boarder learning and the adoption of national operational guidance. Efficiency – to monitor, review and evaluate outcomes of collaboration activity; effective measures of workforce productivity to assure efficiently and effectively meet Making Surrey safer Plan priorities; analysis and challenge of scenario planning. People – Identify and develop aspiring leaders; visible senior managers who model service values; timely response to feedback from staff; promotion of equality, diversity and inclusion; and more to understand bullying and harassment.

Tim Oliver

Leader of the Council

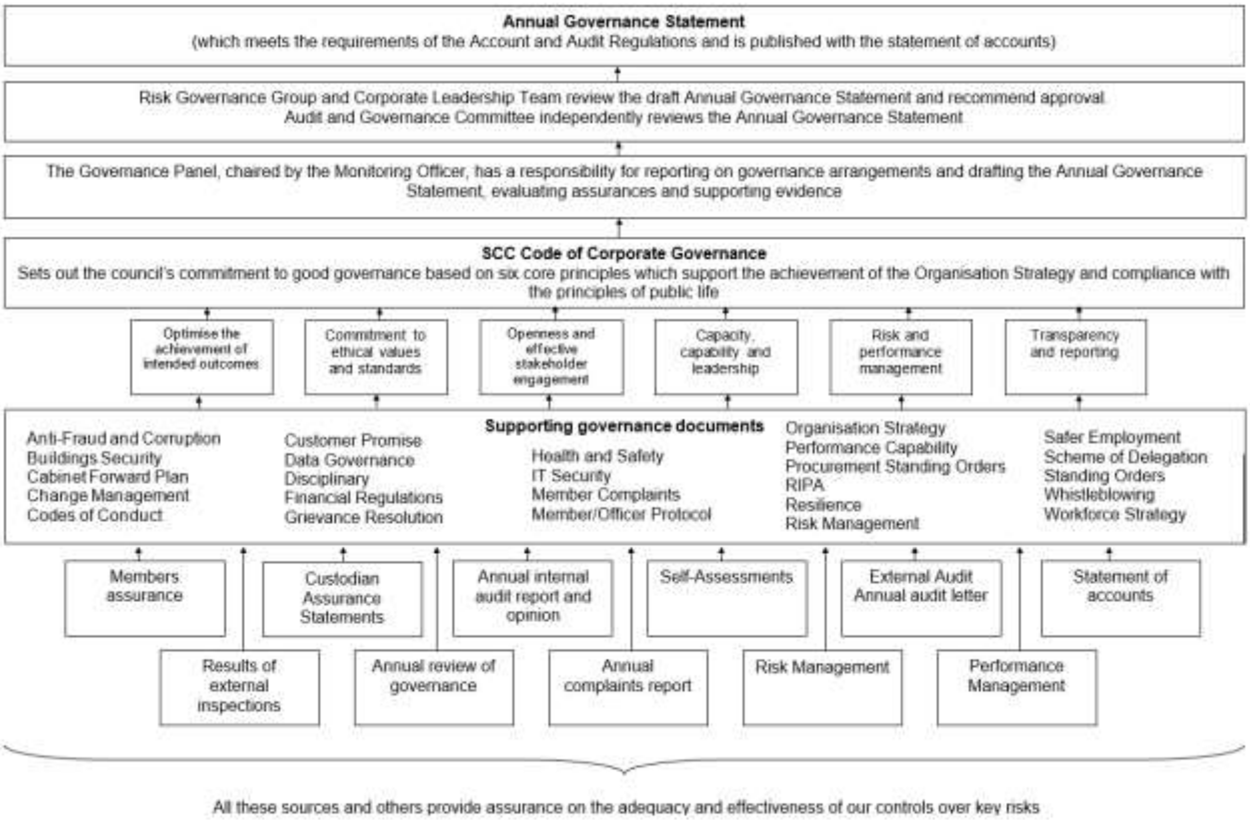
June 2022

Joanna Killian

Chief Executive

June 2022

Governance Framework



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.

2020/21 £000	Firefighters' pension fund account	Ref: Note	2021/22 £000
	Contributions Receivable:		
(5,444)	Contributions receivable from employer (normal)	2	(5,142)
(2,263)	Contributions receivable from employees	2	(2,277)
0	Individual transfers in from other schemes	4	(297)
0	Ill Health Charges	2	(109)
(7,707)			(7,825)
	Benefits payable		
14,460	Pensions	3	14,847
1,811	Commutations and lump sum retirement benefits	3	3,321
197	Lump sum death benefits	3	14
	Payments to and on account of leavers	4	15
16,468	Total amounts payable		18,197
8,762	**Net amount receivable for the year before top-up grant**		10,372
(6,408)	Top-up grant received from Home Office	5	(8,338)
(2,354)	Top-up grant still owing from Home Office	5	(2,034)
(8,762)	**Net amount payable / receivable for the year**		(10,372)

Net Asset Statement

31 March 2020 £000		31 March 2021 £000
	Current assets:	
2,354	Pension top-up grant receivable from Home Office	**2,034**
2,354		**2,034**
	Current liabilities:	
(2,354)	Cash overdrawn	**(2,034)**
(2,354)		**(2,034)**

Pension Funds

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. The employer's contributions are made at the rates determined by the Government Actuaries Department, at a nationally applied rate of 37.3% for the 1992 Firefighter' Pension Scheme, 27.4% for the 2006 Scheme and 28.8% for the 2015 Scheme. The council is required to make payments into the pension fund in respect of ill health retirements, when they are granted. No provision is been made for employee and employer contributions for sums due on pay awards not settled.

Note 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 £10.4m in 2021/22 (£8.8m in 2020/21) as contributions were insufficient to meet the cost of pension payments due for the year. £8.4m was received in year leaving an outstanding balance of £2.0m due from government (£2.4m 2019/20).

SURREY PENSION FUND ACCOUNTS 2021/2022

Surrey Pension Fund - Fund account

2020/21 £000		Note	2021/22 £000
	Contributions and benefits		
206,681	Contributions receivable	7	**193,640**
12,727	Transfers in	8	**33,289**
219,408			**226,929**
(160,022)	Benefits payable	9	**(170,855)**
(14,465)	Payments to and on account of leavers	10	**(16,148)**
(174,487)			**(187,003)**
44,921	**Net additions from dealings with members**		**39,926**
(10,107)	Investment and governance expenses	14	**(10,826)**
(2,929)	Administration expenses		**(3,883)**
(13,036)			**(14,709)**
31,885	**Net additions including fund management expenses**		**25,217**
	Return on investments		
25,564	Investment income	16	**24,531**
(859)	Taxes on income		**(1,169)**
1,096,943	Change in market value of investments	17	**295,914**
1,121,648	**Net return on investments**		**319,276**
1,153,533	**Net increase in the fund during the year**		**344,493**
	Closing Net Assets of the Scheme		
3,859,486	**At 1 April (Opening)**		**5,013,019**
5, 013,019	**At 31 March (Closing)**		**5, 357,512**

Surrey Pension Fund - Net asset statement

31 Mar 2021 £000		Note	31 Mar 2022 £000
	Investment assets	17	
792,693	Bonds		**760,065**
2,992,053	Equities		**3,569,755**
266,256	Property unit trusts		**331,775**
455,222	Diversified growth		**-**
375,944	Private equity		**548,856**
4,449	Derivatives - Foreign exchange contracts	17c	**1,613**
107,494	Cash		**133,939**
6,174	Other investment balances	17b	**2,126**
5,000,285	**Total investment assets**		**5,348,129**
	Investment liabilities		
(11,675)	Derivatives - Foreign exchange contracts	17c	**(23,165)**
(4,669)	Other investment balances	17b	**-**
4,983,941	**Net investment assets**		**5,324,964**
1,815	**Long-term debtors**	12	**-**
35,311	**Current assets**	11	**42,633**
(8,048)	**Current liabilities**	13	**(10,085)**
5,013,019	**Net assets of the scheme available to fund benefits at the reporting period end**		**5,357,512**

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

Note 1: Description of the fund

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

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

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

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

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

Border to Coast Pensions Partnership

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

Pension Funds

a) Membership

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

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the fund.
- Admitted bodies, which are other organisations that participate in the fund under an admissions agreement between the fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing of services to the private sector.
- The number of employees in the fund and the number of pensioners as at 31 March 2021 and 31 March 2022 are:

Surrey Pension Fund	**31 Mar 2021**	**31 Mar 2022**
Total Number of Active Employers	**302**	**327**
Employees in the Scheme		
Surrey County Council	18,720	19,326
Other Employers	20,646	22,119
Total	**39,366**	**41,445**
Pensioners		
Surrey County Council	14,100	14,880
Other Employers	14,263	14,730
Total	**28,363**	**29,610**
Deferred Pensioners		
Surrey County Council	27,037	26,379
Other Employers	17,025	16,948
Total	**44,062**	**43,327**
Total Number of Members	**111,791**	**114,382**

b) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the Local Government Regulations 2013 'as disclosed in the introduction and ranged from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2022. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2019 and new rates applied from April 2020. Currently employer contribution rates range from 12.7% to 43.6% of pensionable pay.

c) Benefits

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

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

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

	Service 1 April 2008 until 31 March 2014	**LGPS 2014 scheme**
Basis of pension	Final salary	Career average revalued earnings
Accrual rate	1/60th of salary	1/49th of salary
Revaluation rate	No revaluation: based on final salary	Inflation rate: consumer prices index (CPI)
Pensionable pay	Pay excluding non-contractual overtime and non-pensionable additional hours	Pay including non-contractual overtime and additional hours for part time staff
Employee contribution	See below table	See below table
Normal pension age	65	Equal to the individual member's State Pension Age
Lump sum trade off	Trade £1 of annual pension for £12 lump sum	Trade £1 of annual pension for £12 lump sum
Death in service lump sum	3x pensionable payroll	3x pensionable payroll
Death in service survivor benefits	1/160th accrual based on Tier 1 ill health pension enhancement	1/160th accrual based on Tier 1 ill health pension enhancement
Ill Health Provision	Tier 1 - Immediate payment with service enhanced to Normal Pension Age Tier 2 - Immediate payment with 25% service enhancement to Normal Pension Age Tier 3 - Temporary payment of pension for up to 3 years	Tier 1 - Immediate payment with service enhanced to Normal Pension Age Tier 2 - Immediate payment with 25% service enhancement to Normal Pension Age Tier 3 - Temporary payment of pension for up to 3 years

Indexation of pension in payment	Inflation rate: CPI (RPI for pre-2011 increases)	Inflation rate: CPI

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

LGPS 2014 employee contribution rates for 2021/22	
Pensionable payroll banding	Contribution rate
Up to £14,600	5.5%
£14,601 to £22,900	5.8%
£22,901 to £37,200	6.5%
£37,201 to £47,100	6.8%
£47,101 to £65,900	8.5%
£65,901 to £93,400	9.9%
£93,401 to £110,000	10.5%
£110,001 to £165,000	11.4%
More than £165,000	12.5%
Estimated overall LGPS average	6.5%

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

Note 2: Basis of preparation

The Statement of Accounts summarises the fund's transactions for the 2021/22 financial year and its position at the year end at 31 March 2022. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. No such accounting standards have been identified for 2021/22.

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

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

Note 3: Summary of significant accounting policies

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

Fund account – revenue recognition

a) Contribution income

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

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

b) Transfers to and from other schemes

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

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

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

c) Investment income

i) Interest income

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

ii) Dividend income

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

iii) Distributions from pooled funds

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

iv) Movement in the net market value of investments

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

d) Private equity

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

Fund account – expense items

e) Benefits payable

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

f) Taxation

The fund is a registered public service scheme under section 1 (1) of the Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments may be subject to withholding tax in the country of origin. Irrecoverable tax is accounted for as a fund expense as it arises. Tax on income due but unpaid at the 31 March 2022 is reported as a current liability.

g) Management expenses

Administrative expenses

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

Investment management expenses

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

Governance expenses

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

Net assets statement

h) Financial assets

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

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

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

i) Market quoted investments

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

ii) Fixed interest securities

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

iii) Unquoted investments

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

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

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

v) Limited partnerships

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

vi) Pooled investment vehicles

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

i) Foreign currency transactions

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

j) Derivatives

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

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

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

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

k) Cash and cash equivalents

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

l) Loans and receivables

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

m) Financial liabilities

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

n) Actuarial present value of promised retirement benefits

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

o) Additional voluntary contributions

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

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

Note 4: Critical judgements in applying accounting polices

Pension Fund Liability

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

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

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

This investment has been valued at cost on the basis that fair value as at 31 March 2022 cannot be reliably estimated. Management have made this judgement because:

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

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

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

The items in the net assets statement or subsequent notes as at 31 March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Pension Funds

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pension depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	The net pension liability of the fund would change. a +0.1% increase in Pensions Increase Rate will increase liabilities by £142m. a +0.1% increase in Salary Increase Rate will increase liabilities by £11m. a -0.1% decrease in the Discount Rate will increase liabilities by £154m. a 1 year increase in life expectancy will increase the liabilities by £310m.
Private equity	Private equity investments, both limited partnership and fund of funds, are disclosed at fair value, provided by the administrators of the funds. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation. These are usually classified as Level 3 Investments	The total private equity investments in the financial statement are £549 million. There is more uncertainty regarding the valuation of these asset types, and could potentially be subject to material adjustments. Detailed sensitivity analysis are noted within Note 18a of the accounts.
Fund of fund investments	Where investments are made into a fund of funds structure there is an additional level of separation from the fund. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation using best available dates of valuation. These are usually classified as Level 3 Investments	The total private equity fund of fund investments are £282.7 million. There is more uncertainty regarding the valuation of these asset types, and could potentially be subject to material adjustments

Property Unit Trust	Valuation techniques are used to determine the carrying amount of pooled property funds.	The total property unit trust in the financial statement are £153.5 million. There is more uncertainty regarding the valuation of these asset types, and could potentially be subject to material adjustments.

Note 6: Events after the reporting date

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

Note 7: Contributions receivable

By Category:

2020/21		2021/22
£000		£000
44,331	**Total Employees' Contributions**	**44,228**
	Employers' Contributions:	
108,306	Normal Contributions	113,675
3,107	Augmentation Contributions	2,517
50,937	Employers deficit	33,220
162,350	**Total Employers' Contributions**	**149,412**
206,681		**193,640**

By employer:

2020/21		2021/22
£000		£000
82,694	Administering authority	87,048
115,705	Scheduled bodies	102,187
8,282	Admitted bodies	4,405
206,681		**193,640**

The latest actuarial valuation carried out as at 31 March 2022, set contribution rates for fund employers with effect from April 2023. The financial year 2021/2022 was the second year of the employer contribution rates set at the prior valuation.

Note 8: Transfers in from other pension funds

2020/21		2021/22
£000		**£000**
12,727	Individual transfers in from other schemes	**33,289**
12,727		**33,289**

Note 9: Benefits payable

By category:

2020/21		2021/22
£000		**£000**
139,089	Pensions	143,247
16,569	Commutation and lump sum retirement benefits	22,114
4,267	Lump sum death benefits	5,317
97	Interest on late payment of benefits	177
160,022		**170,855**

By employer:

2020/21		2021/22
£000		**£000**
74,979	Administering Authority	78,970
72,285	Scheduled Bodies	82,514
12,758	Admitted Bodies	9,371
160,022		**170,855**

Note 10: Payments to and on account of leavers

2011/22		2021/22
£000		**£000**
13,983	Group transfers to other schemes	15,404
493	Refunds of contributions	755
(11)	Payments for members joining state schemes	(11)
14,465		**16,148**

Note 11: Current assets

2020/21		2021/22
£000		**£000**
2,600	Contributions – employees	3,236
6,898	Contributions – employer	8,896
25,813	Sundry debtors	30,501
35,311		**42,633**

Analysis of current assets

2020/21		2021/22
£000		**£000**
2,436	Central government bodies	4,438
27,519	Other local authorities	32,622
5,356	Other entities and individuals	5,573
35,311		**42,633**

Note 12: Long term debtors

2020/21		2021/22
£000		**£000**
1,815	Central government bodies	-
1,815		**-**

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

On 11 March 2013 the total value of the shortfall was agreed as £18.15m, to be made in ten equal, annual instalments commencing on 15 April 2013. The full amount was recognised as contributions during 2012/13. A corresponding debtor was created. The first instalment of £1.815m was received on 26 March 2013 meaning that the remaining nine instalments were due in excess of one year from the 31 March 2013, the whole of the remaining balance was therefore included as a long term debtor in the accounts. The outstanding balance as at 31 March 2022 is £nil.

Note 13: Current liabilities

2020/21		2021/22
£000		**£000**
7,700	Sundry creditors	9,717
348	Benefits payable	368
8,048		**10,085**

Analysis of current liabilities

2020/21		2021/22
£000		**£000**
610	Central government bodies	259
2,920	Other local authorities	4,895
4,518	Other entities and individuals	4,931
8,048		**10,085**

Note 14: Investment and governance expenses

2020/21		2021/22
£000		**£000**
7,506	Investment management fees	9,145
112	Investment custody fees	122
2,489	Oversight and governance costs	1,559
10,107		**10,826**

The investment management fees includes £179k in respect of transaction costs (2020/21: £611k).

As part of its oversight and governance costs in 2021/22, the fund had also spent £649k in respect of pooling costs as part of Surrey Pension Fund's ongoing transition into the Border to Coast Pensions Partnership (BCPP).

Note 15: External Audit Costs

2020/21		2021/22
£000		£000
45	Payable in respect of external audit	41
15	Payables in respect of IAS 19 Assurance Letters	20
60		**61**

£9k of the costs in 2020/21 relate to 2019/20.

Note 16: Investment income

2020/21		2021/22
£000		£000
2,619	Bonds – Overseas	2,079
3,565	Equities – UK	3
7,657	Equities – Overseas	7,962
7,214	Property unit trusts	8,309
1,044	Diversified growth	2,289
3,110	Private equity	3,003
298	Interest on cash deposits	9
57	Other	877
25,564		**24,531**

Note 17a: Reconciliation of movements in investments and derivatives 2021/22

	Market value at 31 Mar 2021	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Market movements	Market value at 31 Mar 2022
	£000	**£000**	**£000**	**£000**	**£000**
Bonds	**792,693**	615,616	(614,138)	(34,106)	**760,065**
Equities	**2,992,053**	2,792,039	(2,421,570)	207,233	**3,569,755**
Property unit trusts	**266,256**	26,210	(9,566)	48,875	**331,775**
Diversified growth	**455,222**	2,699	(471,441)	13,520	**-**
Private equity	**375,944**	215,962	(69,224)	26,174	**548,856**
FX contracts	**(7,226)**	53,359	(41,508)	(26,177)	**(21,552)**
	4,874,942	**3,705,885**	**(3,627,447)**	**235,519**	**5,188,899**
Cash	**107,494**			**60,395**	**133,939**
Other investment balances	**1,505**				**2,126**
	4,983,941			**295,914**	**5,324,964**

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

	Market value at 31 Mar 2020 £000	Purchases during the year and derivative payments £000	Sales during the year and derivative receipts £000	Market movements £000	Market value at 31 Mar 2021 £000
Bonds	**661,248**	72,619	0	58,826	**792,693**
Equities	**2,090,124**	754,999	(697,620)	844,550	**2,992,053**
Property unit trusts	**280,412**	7,457	(9,864)	(11,749)	**266,256**
Diversified growth	**394,217**	1,491	0	59,514	**455,222**
Private equity	**305,912**	90,485	(51,768)	31,315	**375,944**
FX contracts	(38,431)	64,483	(102,041)	68,763	**(7,226)**
	3,693,482	**991,534**	**(861,293)**	**1,051,219**	**4,874,942**
Cash	**130,996**			**43,021**	**107,494**
Other investment balances	**1,476**				**1,505**
Other Fund Movements				2,703	
	3,825,954			**1,096,943**	**4,983,941**

Note 17b: Analysis of investments

	31 Mar 2021	31 Mar 2022	
Fixed interest securities	**£000s**	**£000s**	
UK public sector & quoted	193,930	177,144	Level 2
Overseas pooled fund	598,763	582,921	Level 1
	792,693	**760,065**	
Equities			
UK quoted	50,947	52,747	Level 1
UK pooled funds	523,858	541,209	Level 1
Overseas quoted	388,634	422,985	Level 1
Overseas pooled funds	2,028,614	2,552,814	Levels 1 & 2
	2,992,053	**3,569,755**	
Property unit trusts			
UK property funds	178,529	218,335	Levels 2 & 3
Overseas property funds	87,727	113,440	Levels 2 & 3
	266,256	**331,775**	
Diversified growth			
Overseas diversified growth funds	455,222	-	Level 1
	455,222	**-**	
Private equity			
UK limited partnerships	123,835	194,697	Level 3
Overseas limited partnerships	83,316	71,431	Level 3
Overseas fund of funds	168,793	282,728	Level 3
	375,944	**548,856**	
Derivatives			
FX forward contracts	(7,226)	(21,552)	Level 2
	(7,226)	**(21,552)**	
Cash deposits	**107,494**	**133,939**	Level 1
Other investment balances			
Outstanding sales	4,302	-	
Outstanding purchases	(4,669)	-	
Tax due on accrued income	1,090	1,230	
Accrued income - dividends and interest	782	896	
	1,505	**2,126**	
Total investments	**4,983,941**	**5,324,964**	

Note 17c: Analysis of derivatives

Forward currency contracts

Forward foreign exchange contracts are over the counter contracts whereby two parties agree to exchange two currencies on a specified future date at an agreed rate of exchange. At 31 March 2022 the Fund had forward currency contracts in place with a net unrealised loss of (£21.6m) (net unrealised loss of (£7.2m) at 31 March 2021).

2021/22

No of contracts	Contract settlement date within	Currency		Notional amount (local currency)		Asset	Liability
		Bought	Sold	Bought (000)	Sold (000)	£'000	£'000
2	Three Months	GBP	EUR	176,351	(210,475)	0	(1,925)
2	Three Months	GBP	JPY	73,141	(11,412,300)	1,613	0
6	Three Months	GBP	USD	651,956	(886,118)	0	(21,240)
						1,613	**(23,165)**

2020/21

No of contracts	Contract settlement date within	Currency		Notional amount (local currency)		Asset	Liability
		Bought	Sold	Bought (000)	Sold (000)	£'000	£'000
4	Three Months	GBP	EUR	159,996	(185,028)	2,209	0
5	Three Months	GBP	JPY	80,126	(11,869,700)	2,240	0
6	Three Months	GBP	USD	589,701	(829,869)	0	(11,675)
						4,449	**(11,675)**

Stock Lending

Stock lending is the act of loaning a stock, derivative or other security to an investor or firm. The fund operates a stock lending programme in partnership with the fund custodian. As at 31 March 2022 the value of quoted securities on loan was £5.6 million (£22.8million as at 31 March 2021) in exchange for collateral held by the fund custodian at fair value of £6.1 million (£24.2million as at 31 March 2021).

Note 17d: Investments analysed by fund manager

Following on from Central Government's proposal for Local Authorities to pool their pension assets into regional asset pools, Border to Coast Pensions Partnership (BCPP) was established in 2018, of which Surrey is a partner fund. Surrey Pension Fund had transitioned its first asset into the BCPP UK Equity Alpha Fund in November 2018, BCPP Global Equity Alpha Fund in September 2019, BCPP Multi Asset Credit (MAC) in October 2021, BCPP PE Listed Alternatives in February 2022 and will continue to transition more of its active assets over the coming years.

Investments managed within Border to Coast Pensions Partnership Ltd;

Market value 31 March 2021		Manager	Market value 31 March 2022	
£000	%		£000	%
523,858	10.5	Border to Coast UK Equity Alpha	541,209	10.1
662,732	13.3	Border to Coast Global Equity Alpha	712,861	13.3
-	-	Border to Coast Global MAC	582,921	10.9
-	-	Border to Coast Global Listed Alt	402,260	7.5
1,186,590			**2,239,251**	

Investments managed outside of Border to Coast Pensions Partnership Ltd;

£000	%		£000	%
1,606,657	32.3	LGIM (Legal & General Investment Management)	1,700,507	31.7
446,941	9.0	Newton Investment Management	492,757	9.2
533,867	10.7	Western Multi Asset Credit	-	-
64,896	1.3	Franklin Templeton Investments	-	-
173,222	3.5	Baillie Gifford Life Limited	-	-
283,258	5.7	CBRE Global Multi-Manager	337,969	6.3
152,142	3.1	Ruffer	-	-
129,858	2.6	Aviva	-	-
3,390,841			2,531,233	
4,577,431			**4,770,484**	

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

The table below shows investments that represent more than 5% of the net assets of the scheme.

Market value 31 March 2021		Security	Market value 31 March 2022	
£000	**%**		**£000**	**%**
263,058	5.3	LGIM - TLCV Bespoke (34048)	262,815	4.9
523,858	10.6	Border to Coast UK Equity Alpha	541,209	10.1
662,732	13.5	Border to Coast Global Equity Alpha	712,861	13.3
0	0	Border to Coast Multi Asset Credit	582,921	10.9
0	0	Border to Coast Multi Listed Alternatives	402,260	7.5
533,867	10.8	Western Multi-Asset Credit EUR AC	0	0
483,984	9.8	LGIM – MSCI World Low Carbon	0	0
438,570	8.9	LGIM – Rafi Multi Factor	0	0
310,292	6.3	LGIM World Emerging Markets Fund	299,134	5.6
0	0	LGIM Future World Global Equity Index	1,024,039	19.1
3,216,361			**3,825,239**	

Note 18: Fair Value – Basis of Valuation

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

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

Description of Asset	Valuation Hierachy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Pooled Investments - Hedge funds	Level 3	Closing bid price where bid and offer prices are published. Closing single price where single price published	NAV-based pricing set on a forward	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts
Unquoted Equities	Level 3	Comparable valuation of similar companies in accordance with *International Private Equity and Venture Capital Valuation Guidelines* (2012)	EBITDA multiple Revenue multiple Discount for lack of marketability Control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cash flows, and by any differences between audited and unaudited accounts

Note 18a: Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2022. With the outbreak of COVID-19 and the illiquid nature of the Fund's Level 3 investments, the Fund is still satisfied with the below sensitivity range.

	Assessed Valuation Range (+/-)	Value at 31 March 2022	Value on Increase	Value on Decrease
	%	£000	£000	£000
Private Equity	10%	548,856	603,742	493,970
Property funds	10%	153,524	168,876	138,172
Total		**702,380**	**772,618**	**632,142**

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

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

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

c) All movements in the assessed valuation range derive from changes in the underlying profitability of component companies, the range in the potential movement is caused by how this profitability is measured since different methods (listed in the first table of Note 18 above) produce different price results.

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

	Market value at 31 Mar 2021	Transfers in/ out of Level 3	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Market movements	Market value at 31 Mar 2022
	£000	£000	£000	£000	£000	
Property unit trusts	**118,168**	0	34,357	(6,512)	7,511	**153,524**
Private equity	**375,944**	0	215,962	(69,224)	26,174	**548,856**
	494,112	**0**	**250,319**	**(75,736)**	**33,685**	**702,380**

Note 18c: Classification of financial instruments

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

As at 31 March 2021				As at 31 March 2022		
Designated as fair value though profit and loss	Financial assets at amortised cost	Financial liabilities at amortised costs		Designated as fair value though profit and loss	Financial assets at amortised cost	Financial liabilities at amortised costs
£000	£000	£000		£000	£000	£000
			Financial assets			
792,693			Bonds	760,065		
2,992,053			Equities	3,569,755		
266,256			Property unit trusts	331,775		
455,222			Diversified growth	-		
375,944			Private equity	546,856		
4,449			Derivatives	1,613		
	107,494		Cash		133,939	
6,174			Other investments	2,126		
	37,126		Debtors		42,633	
4,892,791	**144,620**		**Total financial assets**	**5,214,190**	**176,572**	
			Financial liabilities			
(11,675)			Derivatives	(23,165)		
(4,669)			Other investment balances			
		(8,048)	Creditors			(10,085)
			Borrowings			
(16,344)		**(8,048)**	**Total financial liabilities**	**(23,165)**		**(10,085)**
4,876,447	**144,620**	**(8,048)**		**5,191,025**	**176,572**	**(10,085)**

Note 18d: Net gains and losses on financial instruments

31 March 2021 £000 Restated		31 March 2022 £000
	Financial Assets	
985,159	Designated at Fair Value through profit and loss	261,696
43,029	Loans and Receivables	60,400
	Financial Liabilities	
68,763	Fair Value through profit and loss	(26,177)
(8)	Loans and Receivables	(5)
1,096,943	**Total**	**295,914**

Note 18d

Note that the comparatives for the year to March 2021, have been restated to correct figures disclosed in the accounts last year. The equivalent note in the 2020/21 audited accounts contained incorrect analysis of some items. The note now agrees to the amount shown on the face of the Fund account statement.

Note 18e: Fair Value Hierarchy

31 March 2022	**Quoted market price**	**Using observable inputs**	**With significant unobservable inputs**	**Total**
	Level 1	**Level 2**	**Level 3**	
	£000	£000	£000	£000
Financial assets at Fair Value	526,105	4,119,644	702,380	5,348,129
Financial Liabilities at Fair Value	0	(23,165)	0	(23,165)
Net financial assets	**526,105**	**4,096,479**	**702,380**	**5,324,964**

31 March 2021	**Quoted market price**	**Using observable inputs**	**With significant unobservable inputs**	**Total**
	Level 1	**Level 2**	**Level 3**	
(Restated)	£000	£000	£000	£000
Financial assets at Fair Value	2,736,668	1,763,524	500,093	5,000,285
Financial Liabilities at Fair Value	0	(16,344)	0	(16,344)
Net financial assets	**2,736,668**	**1,747,180**	**500,093**	**4,983,941**

Note 18e

Note that the comparatives for the year to March 2021, have been restated to correct figures disclosed in the 2020/21 audited accounts. The equivalent note in the 2020/21 accounts did not include the full value of some items in each category. The note now agrees to the total investment value shown on the face of the Net asset statement.

Note 18f: Book cost

The book cost of all investments at 31 March 2022 is £3,874million (£3,429million at 31 March 2021).

Note 19: Outstanding commitments

At 31 March 2022 the Fund held part paid investments on which the liability for future calls amounted to £553million (£296million as at 31 March 2021).

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

Risk and risk management

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

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

a) **Market risk**

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

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

Other price risk

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

The fund is exposed to share and derivative price risk. This arises from investments held by the fund for which the future price is uncertain. All securities investments present a risk of loss of capital. The maximum risk resulting from a financial instrument is determined by the fair value of the instrument. By diversifying investments across asset classes and managers, the fund aims to reduce the exposure to price risk. Statutory limits prescribed by Regulations are also in place to avoid concentration of risk in specific areas.

Other Price risk – Sensitivity Analysis

Asset type	Value at 31 March 2022	Change	Value on increase	Value on decrease
	£000	%	£000	£000
UK equities	593,956	17.9	700,452	487,460
Overseas equities	2,975,799	13.9	3,390,030	2,561,568
Bonds	582,921	8.0	629,730	536,112
Index-linked	177,144	9.1	193,264	161,024
Cash	133,939	2.4	137,167	130,711
Property	331,775	4.9	347,866	315,684
Private Equities	548,856	6.1	582,336	515,376
Other assets	(19,426)	2.4	(19,894)	(18,958)
Total Investment Assets	5,324,964	10.7	5,894,203	4,755,725

PIRC Ltd has provided the fund with an analysis of historical asset class returns to determine potential movements in the market price risk of investments during 2021/22 reporting period. The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the latest three year period.

Asset type	Value at 31 March 2021 Restated	Change	Value on increase	Value on decrease
	£000	%	£000	£000
UK equities	574,805	18.7	682,035	467,575
Overseas equities	2,417,248	13.1	2,733,937	2,100,559
Bonds	598,763	8.3	648,460	549,066
Index-linked	193,930	8.3	210,066	177,794
Cash	107,494	2.2	109,862	105,126
Property	266,256	4.7	278,808	253,704
Private Equities	375,944	5.0	394,757	357,133
Diversified growth fund	455,222	6.3	484,021	426,423
Other assets	(5,721)	2.2	(5,847)	(5,595)
Total Investment Assets	4,983,941	10.4	5,500,614	4,466,928

Note 20a – Price risk sensitivity

Note that the comparatives for the year to March 2021, have been restated to correct figures disclosed in the 2020/21 audited accounts. The equivalent note in the 2020/21 accounts contained incorrect analysis of some items. The note now agrees to the total investment value shown on the face of the Net asset statement.

Note: The percentage change for total investment assets includes the impact of correlation across asset classes. Therefore, the impact upon total assets will not tally to the sum of each asset class' individual value on increase/decrease.

Interest rate risk
The fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The fund is predominantly exposed to interest rate risk through its holdings in bonds. Western Asset Management, the Fund's appointed active bond manager, manages this risk. The fund also invests in pooled bond funds managed by Legal & General and Franklin Templeton.

The fund's direct exposure to interest rate movements as at 31 March 2022 and 31 March 2021 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

As at 31 March 2021		As at 31 March 2022
£000		£000
107,494	Cash & cash equivalents	133,939
598,763	Fixed interest securities	582,921
706,257	**Total**	**716,860**

Interest rate risk sensitivity analysis
The council recognises that interest rates can vary and can affect both income to the fund and the value of the net assets available to pay benefits. Long term average interest rates are not particularly volatile from one year to the next so a potential move in interest rates of 100 basis points is deemed reasonable.

The analysis below assumes all other variables remain constant and shows the effect in the year on the net assets of a +/- 100 basis point change in interest rates.

Asset type	Carrying amount as at 31 March 2022	Change in net assets	
		+100 bps	- 100 bps
	£000	£000	£000
Cash & cash equivalents	133,939	1,339	(1,339)
Fixed interest securities	582,921	5,829	(5,829)
Total	**716,860**	**7,168**	**(7,168)**

Asset type	Carrying amount as at 31 March 2021	Change in net assets	
		+100 bps	- 100 bps
	£000	£000	£000
Cash & cash equivalents	107,494	1,075	(1,075)
Fixed interest securities	598,763	5,988	(5,988)
Total	**706,257**	**7,063**	**(7,063)**

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fund is exposed to currency risk on financial instruments that are denominated in any currency other than sterling. The fund holds monetary and non-monetary assets denominated in currencies other than sterling.

The fund therefore has a policy to passively hedge up to 50% of the equity exposure to US Dollar, Yen and the Euro. Legal and General Investment Management manages this currency hedge. Individual fund managers may also use derivatives if permitted by their investment management agreements. Furthermore, fund managers will take account of currency risk in their investment decisions.

Currency risk – sensitivity analysis

PIRC Ltd has provided the fund with an analysis of historical exchange rate movements to determine potential changes in the fair value of assets during the 2021/22 reporting period due to exchange rate movements.

The analysis assumes all other variables remain constant. The tables show assets with potential non-UK exposures.

Asset type	Value at 31 March 2022 £000	% Change	Value on increase £000	Value on decrease £000
Equities	2,975,799	7.34	3,194,350	2,757,248
Fixed interest	582,921	7.34	625,732	540,110
Property & Private Equity	467,599	7.34	501,941	433,257
Cash and Other Assets	4,189	7.34	4,497	3,881
Total	**4,030,508**	**7.34**	**4,326,520**	**3,734,496**

Asset type	Value at 31 March 2021 Restated £000	% Change	Value on increase £000	Value on decrease £000
Equities	2,417,248	7.70	2,603,429	2,231,067
Fixed interest	598,763	7.70	644,881	552,645
Property & Private Equity	339,835	7.70	366,010	313,660
Diversified Growth	282,000	7.70	303,720	260,280
Cash and Other Assets	5,619	7.70	6,052	5,186
Total	**3,643,465**	**7.70**	**3,924,092**	**3,362,838**

Note 20a – Currency risk sensitivity

Note that the comparatives for the year to March 2021, have been restated to correct figures disclosed in the 2020/21 audited accounts. The note has been restated to include only those items with a non-UK currency exposure.

b) Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the fund's financial assets and liabilities.

In essence the fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivative positions, where the risk equates to the net market value of a positive derivative position. However, the selection of high quality counterparties, brokers and financial institutions minimises the credit risk that may occur through the failure to settle a transaction in a timely manner.

Contractual credit risk is represented by the net payment or receipt that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by exchanges to cover defaulting counterparties.

The fund's cash balance is lent to borrowers in accordance with the county council's treasury management strategy. There are rigorous procedures in place to manage the security of all cash deposits, including criteria for the quality of counterparties and limits on the amount that can be placed with any one of those counterparties. The council operates a lowest common denominator approach to counterparty management which means that available counterparties must meet the minimum credit rating criteria with all three ratings agencies.

The fund held no fixed term deposits with other Local Authorities as at 31 March 2022.

The fund holds a separate bank account with HSBC, which holds AA long term credit ratings (or equivalent) with all three credit rating agencies (Fitch, Moody's, Standard and Poor's).

The fund has 5 accounts with money market funds, managed by Morgan Stanley, Aberdeen, Black Rock, Deutsche and Aviva (all with AAA credit rating). In line with the treasury strategy, the maximum deposit level allowed with each counterparty is £25 million.

Balance at 31 March 2021 £000		Balance at 31 March 2021 £000
	Money market fund	
100	Aberdeen MMF	100
13,500	Aviva	100
100	Blackrock	14,700
11,100	Deutsche	100
0	Morgan Stanley	100
	Current account	
171	HSBC	42
24,971	**Internally Managed Cash**	**15,142**
82,523	Externally Managed Cash	118,797
107,494	**Total Cash**	**133,939**

The fund's cash holding under its treasury management arrangements as at 31 March 2022 was £15.1million (£24.9million at 31 March 2021).

c) Liquidity risk

Liquidity risk represents the risk that the fund will not be able to meet its financial obligations as they fall due. The council therefore takes steps to ensure that the pension fund has adequate cash to meet its commitments. The fund needs to manage its cash flows to ensure pensioner payroll costs are met and sufficient cash is available to meet investment commitments.

The treasury management activities of the fund are managed by the Orbis Treasury Function on a daily basis. A cash flow forecast is updated daily to help understand and manage the timings of the fund's cash flows.

The fund has immediate access to the internally managed cash holdings and money market fund.

The fund is able to borrow cash to meet short-term cash requirements, no such instances occurred during 2021/2

The fund currently has a long-term positive cash flow, which reflects the fact that contributions into the fund exceed benefits being paid out. Cash flow surpluses are invested with fund managers, given that the fund has an aim of being as fully invested as possible after allowing for the need to hold working balances. Regular rebalancing exercises take place, which involves assessing the level of internal cash available to be invested with managers.

d) Derivative risk

Some portfolios in which the fund invests may utilise financial derivative instruments to reduce risks or costs or to generate additional returns to meet the portfolio's objectives. Use of such derivatives does not guarantee a positive result for the portfolio.

Derivatives may invoke a small initial investment but carry the potential for a much greater liability. This is known as leverage. A small market movement could therefore have a proportionately larger impact either for or against the fund. Other specific risks include the inability of the portfolio manager to close out a derivative position due to illiquidity in the derivative market.

The employment of derivatives within the fund is limited to specific portfolios where their usage is primarily to manage volatility associated with other holdings. A significant movement to the detriment of the portfolio is intended to be balanced by positive movements in other areas of the portfolio. Fund managers will be expected to ensure a balanced, diverse pool of assets with internal exposure restrictions to limit the impact of potential market movements.

Note 21: Related party transactions

i) Employer pension contributions paid by Surrey County Council in 2021/22 amounted to £74,190k (£70,887k in 2020/21).

2020/2021		2021/2022
£000		£000
52,263	Employers' current service contributions	55,162
17,926	Lump sum payments to recover the deficit in respect of past service	18,318
698	Payments into the fund to recover the additional cost of early retirement liabilities	710
70,887		**74,190**

ii) Surrey Pension Fund paid Surrey County Council £4,725k for services provided in 2021/22 (£3,373k in 2020/21).

2020/2021		2021/2022
£000		£000
444	Treasury management, accounting & managerial services	545
2,680	Pension administration services	3,883
249	Pension Admin Transformation	297
3,373		**4,725**

iii) Net amounts owed by Surrey County Council to the fund as at 31 March 2022 were £1,456k (£2,620k at 31 March 2021).

iv) The Fund is administered by Surrey County Council. Consequently, there is a close relationship between the Authority and the Fund. The Authority is also the single largest employer of members in the Fund. All costs incurred by the Council as Administering body were recharged to the Pension Fund, with management, and other overheads apportioned to the Fund.

v) Members of both Pension Fund Committee and Local Pension Board are required to declare their interests at each meeting. Declarations of interest are recorded in the minutes of each meeting as part of the public record and a copy can be found on the Surrey County Council website.

Note 22: Key management personnel

The below employees of Surrey County Council hold key positions in the financial management of the Surrey Pension Fund. Their financial relationship with the fund is disclosed as a proportion of salary costs, including employer pension contributions and national insurance contributions that can be attributed to the fund.

2020/21	**Position**	**2021/22**	
£		**£**	
10,676	Exec Director of Corporate Resources	11,029	1
16,652	Director of Corporate Finance	16,684	2
102,924	Assistant Director – LGPS Senior Officer	116,705	3
130,252		**144,418**	

1. 5% of time allocated to pension fund
2. 10% of time allocated to pension fund
3. 100% of time allocated to pension fund

The Members of the Pension Fund Committee as at 31 March 2022 are shown below;

Elected Members:
Nick Harrison (Chairman), Trefor Hogg (Vice-Chairman), David Harmer, George Potter, Richard Tear and Mark Sugden.

Co-opted Members:
Mark Madox, Steve Williams, Philip Walker and Kelvin Menon.

Note 23: Custody

Custody arrangements for all securities and cash balances are provided by the fund's global custodian, The Northern Trust Company, excluding private market investments and internally held cash. For the Fund's private market investments, the custodial arrangements are managed by the individual private market partnership with each custodian in charge of all private market assets, not just those of the Surrey Pension Fund.

Custodian arrangements for the managers responsible for private market funds are as follows:

Private Market Manager	Custody Provider
BlackRock	PNC Bank
Goldman Sachs	State Street Global Advisors
HG Capital	Bank of New York Mellon
Livingbridge (Formerly ISIS)	Lloyds Banking Group
SL Capital	State Street Global Advisors, Deutsche Bank & JP Morgan
Capital Dynamics	Bank of America
Pantheon	State Street Bank & Trust Co. NA New York
Glennmont Partners	Augentius (Luxembourg) S.A.
Border to Coast	Northern Trust International Banking Corporation

Note 24: Actuarial statement for 2021/22 - Funding arrangements

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated April 2023. In summary, the key funding principles are as follows:

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants;
- use a balanced investment strategy to meet the regulatory requirement for long-term cost efficiency (where efficiency in this context means to minimise cash contributions from employers in the long term);
- where appropriate, ensure stable employer contribution rates;
- reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy;
- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to have a sufficiently high likelihood of achieving the funding target over 20 years. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least a 70% likelihood that the Fund will achieve the funding target over 20 years.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2022. This valuation revealed that the Fund's assets, which at 31 March 2022 were valued at £5,358 million, were sufficient to meet 102% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2022 valuation was £101 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and likelihood measure as per the FSS. Individual employers' contributions for the period 1 April 2023 to 31 March 2026 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2022 valuation report and FSS.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date; and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2022 valuation were as follows:

Financial assumptions	31 March 2022
Discount rate	4.4%
Salary increase assumption	3.7%
Benefit increase assumption (CPI)	2.7%

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's Vita Curves with improvements in line with the CMI 2018 model, an allowance for smoothing of recent mortality experience and a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	22.3 years	24.9 years
Future Pensioners*	23.1 years	26.3 years

*Aged 45 at the 2019 Valuation.

Copies of the 2022 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund.

The next actuarial valuation will be carried out as at 31 March 2025. The Funding Strategy Statement will also be reviewed at that time.

Steven Scott FFA

For and on behalf of Hymans Robertson LLP

19 April 2022

Hymans Robertson LLP

Note 25: Actuarial present value of future retirement benefits

CIPFA's Code of Practice on Local Authority Accounting 2021/22 requires Administering Authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. I have been instructed by the Administering Authority to provide the necessary information for the Surrey Pension Fund ("the Fund").

The actuarial present value of promised retirement benefits is to be calculated similarly to the Defined Benefit Obligation under IAS19. There are three options for its disclosure in the pension fund accounts:

- showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit;
- as a note to the accounts; or
- by reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Fund's funding assumptions.

Present value of promised retirement benefits

Year ended	31/03/2022	31/03/2021
Active members (£m)	2,797	3,466
Deferred members (£m)	2,240	2,169
Pensioners (£m)	2,725	2,381
	7,762	**8,016**

As requested, the promised retirement benefits at 31 March 2022 are based on the results of the 31 March 2022 funding valuation using the Fund's membership as at 31 March 2022.

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The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, I have not made any allowance for unfunded benefits.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the pension fund accounts. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2022 and 31 March 2021. I estimate that the impact of the change in financial assumptions to 31 March 2022 is to decrease the actuarial present value by £644m. I estimate that the impact of the change in demographic and longevity assumptions is to decrease the actuarial present value by £130m.

Financial assumptions

Year ended (% p.a.)	31 March 2022	31 March 2021
Pension Increase Rate	3.20%	2.85%
Salary Increase Rate	4.10%	3.75%
Discount Rate	2.70%	2.00%

Demographic assumptions

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a.. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	22.3 Years	24.9 Years
Future pensioners (assumed to be aged 45 at the latest formal valuation)	23.1 Years	26.3 Years

Please note that the longevity and other demographic assumptions are in line with 31 March 2022 funding valuation. The assumptions have changed since the previous IAS26 disclosure for the Fund as at 31 March 2021.

Sensitivity Analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:

Change in assumption at 31 March2022	Approximate % increase to promised retirement benefits	Approximate monetary amount (£m)
0.1% p.a. decrease in the Discount Rate	2%	146
1 year increase in member life expectancy	4%	310
0.1% p.a. increase in the Salary Increase Rate	0%	13
0.1% p.a. increase in the Pension Increase Rate (CPI)	2%	132

Professional notes

This paper accompanies the 'Accounting Covering Report – 31 March 2022' which identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Steven Scott AFA (For and on behalf of Hymans Robertson LLP) 20 April 2022

Note 26: Additional Voluntary Contributions

Market Value 2020/21 £000	Position	Market Value 2021/22 £000
14,310	Prudential	16,053
14,310		**16,053**

The market values above are estimates provided by the Prudential.

Additional Voluntary Contributions, net of returned payments, of £1.9 million were paid directly to Prudential during 2021/22 (£1.1 million during 2020/21).

Note 27: Investment Strategy Statement

Full details of the fund's investment policy are documented in the Investment Strategy Statement. This is published in the pension fund's full annual report and on the Surrey Pension Fund website.

Note 28: Annual report

The Surrey Pension Fund Annual Report 2021/2022 provides further details on the management, investment performance and governance of the Fund.

Accruals
An accounting concept that recognises income when it is earned and expenditure when it is incurred, and not when cash is transferred. The inclusion of debtors, creditors and depreciation are examples of accruals.

Amortisation
The process of writing down the value of an intangible asset over time in order to spread the cost of the asset over the period of its useful economic life.

Assets held for sale
Properties that are being actively marketed and sale is expected in the next 12 months.

Assets under construction
Assets not yet ready for use. This could be new building works or road construction.

Balances
Balances are maintained for future years' budgets and to provide a cushion against expenditure being higher or income lower than expected. Contributions to balances can either be a planned contribution from the revenue budget or a transfer of any revenue surplus at the year-end. The maintenance of an appropriate level of balances is a fundamental part of prudent financial management.

Business Rates
See Non-Domestic Rates (NDR).

Capital expenditure
Expenditure on the acquisition or enhancement of a non-current asset. The cost of maintaining an asset at its current value is revenue expenditure.

Capital adjustment account
A balance sheet item, unique to local authority accounting, that is central to the capital accounting regime. The balance on the account cannot be used, but reflects the extent to which, to date, capital funding of assets has preceded depreciation of those assets.

Capital financing requirement
This represents the Council's underlying need to borrow for capital purposes. The year on year change will be influenced by capital expenditure in each year.

Capital receipts
Proceeds from the sale of non-current assets. The council earmarks capital receipts to finance future capital expenditure, except when they are utilised under the capital receipt flexibilities to fund transformation expenditure.

Chartered Institute of Public Finance and Accountancy (CIPFA)
The professional accountancy institute that sets the standards for the public sector. CIPFA publishes the accounting codes of practice for local government.

The Code of Practice on Local Authority Accounting (The Code)
The Code specifies the principles and practices of accounting required to prepare a Statement of Accounts which gives a true and fair view of the financial position and transactions of a local authority. It is based on International Financial Reporting Standards (IFRS), and has been developed by CIPFA/LASAAC under the oversight of the Financial Reporting Advisory Board.

Community assets
Assets that the local authority intends to hold in perpetuity which have no determinable useful life and which may have restrictions on their disposal. Examples include the countryside estate and historic assets that are not used in service delivery.

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

Creditors
Money owed by the Council that is due immediately or in the short term. Creditors are an example of the concept of accruals.

Current service cost (pensions)
The increase in the present value of local government and firefighters' pension scheme's liabilities expected to arise from employee service in the current period.

Curtailment costs (pensions)
For a defined benefit scheme (such as LGPS and firefighters') an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service.

Debtors
Money that is due to the Council but which has not yet been received. Debtors are an example of the concept of accruals.

Defined benefit scheme (pensions)
A pension or other retirement benefit scheme that defines the employees benefits and is independent of contributions and investment performance. Defined benefit schemes may be funded (local government pension scheme) or un-funded (firefighters' pension scheme).

Depreciation
A charge to the revenue account to reflect the consumption or use of a tangible non-current asset in service delivery. There is a corresponding reduction in the value of the non-current asset.

Discounting
The process of determining the present value of a payment or a stream of payments that is to be received in the future. Given the time value of money, a pound is worth more today than it would be worth tomorrow given its capacity to earn interest. Discounting is the method used to figure out how much these future payments are worth today.

Fair value
Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction.

Financial instruments
Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.

Financial year
The year of account, which runs from 1 April to 31 March.

Government grants
Financial assistance from central government, or its agents, in the form of cash transfers, often in return for compliance with certain conditions. These grants may be capital or revenue in nature.

Historic cost
The estimated value of an asset on the balance sheet based upon its original purchase cost less depreciation to date.

Impairment loss
The reduction in an asset's value due to physical deterioration or other factors beyond usual wear and tear.

Infrastructure assets
Non-current assets that cannot be taken away or transferred and from which benefit can only be derived through continued use. Examples of infrastructure assets are roads, bridges and footpaths.

Intangible assets
Intangible assets yield benefits to the Council for more than one year but are without physical form. For example software licences and the development of website technology. Intangible assets are recorded at cost and amortised over their estimated useful economic life.

Interest cost (pensions)
For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

Investment properties
Any property (land or buildings) held solely for rental income or for capital appreciation or both. Investment properties are not used to support the strategy or service obligations of the local authority.

Leasing
This facility is a means to obtain the use of vehicles, plant and computer equipment without physically owning these items. Leases may be either operational, where the asset reverts to the lessor at contract end; or finance leases, where the assets passes to the lessee.

Lessee
A party to a lease agreement who makes payment to use an asset owned by another party.

Lessor
A party to a lease agreement who receives payment, from another party, for the use of an asset which they own.

Material
Information is said to be material if its omission or misstatement could influence the decisions users take on the basis of the financial statements. Materiality therefore relates to the importance or significance of an amount, transaction, or discrepancy. The assessment of what is material is a matter of professional judgment; the size and nature of the item under consideration must be taken into account in making this judgement.

M**inimum revenue provision (MRP)**
A statutory provision to set aside for the repayment of external debt, equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance.

Net current replacement cost
A method of valuation that estimates the cost of replacing or recreating an asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

Net realisable value
A method of valuation that estimates the open market value of an asset in its existing use (or open market value in the case of non-operational asset), less the expenses required realising the asset.

Non-Domestic Rates (NDR)
The rates paid by businesses. The amount paid is based on the rateable value of the premises they occupy (set by the Inland Revenue) multiplied by a national rate in the pound set by the government. The rates are collected by local authorities and paid over to the government. They are then redistributed to local authorities on the basis of the relevant population. Under the Business Rates Retention Scheme, locally collected business rates are shared between local and central government.

Past service cost (pensions)
For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Precept
An amount levied on another public body in respect of the Council tax. The county council collects its council tax share from district councils through a precept, and pays the Environment Agency for land drainage.

Provisions
Amounts set aside for any liabilities or losses that are likely to be incurred, but which are uncertain as to the amounts or the dates on which they will arise.

Prudential Code for Capital Finance in Local Authorities
The Prudential Code is a professional code of practice that supports local authorities in taking capital investment decisions. The code requires local authorities to set their own borrowing limits based upon affordability, sustainability and prudence.

Public Works Loan Board
A government agency providing long term loans to Local Authorities to finance part of their Capital Expenditure.

Reserves
These are amounts set aside for specific purposes. The council has discretion on whether it wishes to set aside these amounts as distinct from sums set aside in provisions. Movements on reserves are therefore charged or credited to the revenue account after the net cost of service provision has been determined. Revenue reserves are classified as earmarked reserves or as unallocated reserves or balances.

Revenue expenditure
Expenditure incurred on day to day running costs and confined to accounts within one financial year.

Revenue Expenditure Funded by Capital under Statute (REFCUS)
REFCUS is capital expenditure which does not give rise to an asset owned by the Council. Examples include capital expenditure on foundation and voluntary aided schools.

Revenue Support Grant (RSG)
This grant is non-specific and is based upon the government's assessment of how much a local authority should spend to provide a common level of service.

Soft Loans
Loans made by the authority at less than the prevailing market rate of interest.

Useful life
The period over which the Council will benefit from the use of a non-current asset.