

**Surrey County Council  
Statements of Accounts  
2022/23**

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# Independent Auditor's Report

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## 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 2023, 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, 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, the 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 2022/23.

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 2023 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 2022/23; 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 Director of Finance – Corporate and Commercial's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group and the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority or the group to cease to continue as a going concern.

In our evaluation of the Director of Finance – Corporate and Commercial's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 that the Authority's 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 2022) 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.

In auditing the financial statements, we have concluded that the Director of Finance – Corporate and Commercial's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

## Independent Auditor's Report

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 and 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.

Our responsibilities and the responsibilities of the Director of Finance – Corporate and Commercial with respect to going concern are described in the relevant sections of this report.

### Other information

The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Director of Finance – Corporate and Commercial is responsible for the other information. 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.

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 themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this 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, 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.

# Independent Auditor's Report

## Responsibilities of the Authority and the Director of Finance – Corporate and Commercial

As explained more fully 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 Director of Finance – Corporate and Commercial. The Director of Finance – Corporate and Commercial 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 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance – Corporate and Commercial 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 Director of Finance – Corporate and Commercial 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 they have been informed by the relevant national body of the intention to dissolve the Authority and the group without the transfer of its services to another public sector entity.

## 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. Irregularities, including fraud, are instances of non-compliance with laws and regulations. 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 (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, 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 framework 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 management 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 management, 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 management's 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 investment properties the completeness and accuracy of year end accruals and payables.

## Independent Auditor's Report

Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,
- journal entry testing, 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, investment properties 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.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including the significant accounting estimates related to property, plant and equipment valuations, investment properties valuation, and completeness and accuracy of year end accruals and payables. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

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

- 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 in which the group and Authority operates
- 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 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's [website](#). This description forms part of our auditor's report.

## Independent Auditor's Report

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### 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 2023.

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.

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

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

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

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

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



## Independent Auditor's Report

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### 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 2023 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 2023. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2023.

#### 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 44 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.

Signature: *Paul Dossett*

Paul Dossett, Key Audit Partner

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

London

27 March

# Narrative Report

## EXECUTIVE DIRECTOR'S NARRATIVE REPORT

The Council has worked hard over recent years to improve its financial resilience and financial management capabilities, building a stronger financial base from which to deliver services. We have reduced our financial risk, delivered service improvement, delivered ambitious investment in capital and transformation programmes and built back depleted reserves. This is reflected in the positive outturn position reported for 2022/23. Establishing this solid base is a key achievement because it means we have been able to focus on delivering the Council priorities for our residents, without being distracted by threats to our own organisational financial stability. The 2022/23 financial year was challenging: increased cost of living, global financial uncertainty, high inflation and interest rate rises, alongside government policy changes and continued increasing demand for our key services, all contributed to a significant overspend being forecast for the majority of the year. The use of the council's risk contingency budget to achieve the outturn position reflects this challenging environment and required an increased focus on financial management to protect service delivery.

In addition to these immediate challenges, the medium-term financial outlook beyond 2023/24 remains uncertain. With no clarity on central government funding in the medium term, our working assumption is that financial resources will continue to be constrained, as they have been for the majority of the past decade. This places an onus on the Council to continue to consider issues of financial sustainability as a priority, in order to ensure the stable provision of services in the medium term.

While we will continue to have conversations with Government around what we feel is fair and necessary for Surrey, we must look to the future and prepare properly for these anticipated budget impacts. 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.

Despite the positive outturn position, we will continue to face challenges to our financial position in the coming years. It is paramount that we continue to ensure that the Council is in a resilient financial position, so that there is no risk of us failing to deliver the crucial services for which we have responsibility in both the short and medium term.

Part of the work to improve financial resilience has been to strengthen the Council's reserve position, which was perilously low in 2018. Reserves have now reached a sustainable level, given the risk environment in which the council operates. Subject to a continued focus on financial management and negating the need to utilise contingency budgets to balance the in-year budget position, this presents a future opportunity to identify areas of additional investment. These options will be factored into the budget setting processes, balancing the desire to invest to further enhance services, with a recognition that maintaining financial resilience is key to weathering future challenges.

Our focus will continue to be on protecting vital services a continuation of the need to be forward looking in the medium term, as well as the delivery of the efficiencies required to achieve a balanced

## Narrative Report to the Statement of Accounts

budget position each year. Through this focus, and our strategic framework “The Surrey Way,” we continue to ensure that the Council’s finances are an enabler of the Council’s mission to deliver on ‘No One Left Behind’.

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:

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### Context about the County

Surrey has a population of 1.20million people and an economy worth £43.5 billion. The population are largely healthy, active and have a long life expectancy, although inequalities exist across the diverse County.

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### 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 and thriving communities

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### Financial Performance – Revenue

The total gross expenditure for the Council was £2,258m. Funding for this was made up of government funding (£1,019m), Council Tax (£836m), Fees, charges & other income (£300m) and Business rates (£104m). Expenditure was made on Children, Families, Lifelong Learning and Culture (£727m), Adult Social Care (£680m), Delegated Schools (£368m), Transport & Environment (£228m) and Other areas (£255m). The final outturn for the year is a small surplus of £1m (approximately 0.1% variance to budget).

## Narrative Report to the Statement of Accounts

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### Financial Performance – Capital

In 2022/23 the final capital programme budget was £211m. The budget was reset at month 9 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. The budget was reset again at year end, following a year-end adjustment relating to delegated schools capital budgets. Capital spend for the year against this budget is £199.4m, which represents delivery of 94.5% of the plan in year.

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### 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.

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### Population

Surrey has a population of 1.2 million. The current population is largely healthy and active and has an upwards trend in life expectancy for men and women. By 2030 the population is expected to be 1.21 million, with more than 22% of residents aged 65 and over (18.2% England comparator).

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### 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 but are increasing. In Surrey 15.6% of Reception children (22.3% UK comparator) and 25.0% of children in Year 6 (37.8% UK comparator) were classed as overweight or obese.

## Narrative Report to the Statement of Accounts

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### Economy

Surrey's economy is strong and worth approximately £43.4 billion. This grew by 24% between 2010 and 2018 - in line with economic growth in the South of England. Surrey's unemployment rate has been lower than the average for the South East since 2004, including youth unemployment which is below regional and national averages.

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### Education and Skills

Surrey's population is highly skilled with 54.4% of the working age population holding a NVQ level 4 qualification or above; an increase of almost 5% since 2018. At school in the first public exams following the pandemic, 58.1% achieved a strong pass in English and Maths, compared to 50.0% nationally and 52.1% in the South East.

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### Environment and Infrastructure

The county of Surrey is about 1,663 km<sup>2</sup> (650 miles<sup>2</sup>). Surrey's 3,452 mile road network is a high priority for residents, with more than 8.6 billion vehicle miles travelled annually before the pandemic. 2021 saw a significant decrease of about one-fifth in average traffic flow compared to pre pandemic levels; in 2022 journeys picked up again to 7.4 billion vehicle miles. Surrey's air quality is better than the national average, with a score of 26.1 compared to 26.8 nationally (on an aggregate index compiled by the University of Liverpool and the Consumer Data Research Centre). Residents have good access to open spaces with over a quarter of the population living with 500 metres of accessible woodland. Over 500,000 tonnes of waste is disposed of each year with only 15% of this heading for landfill in 2022/23, and 54.4% sent for reuse, recycling or composting. The amount of household waste used for energy recovery in 2022/23 was 25.8%

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### Housing

Housing in Surrey is increasingly expensive, with an average house price in December 2022 of approximately £529,000. Relative to average salaries, housing is one-and-a-half times less affordable than the national average. There is proportionally less affordable housing than other areas in the South East, and consequently a growing need for affordable housing especially for residents on low incomes. There are signs of increasing homelessness and 7.3% of households in Surrey live in fuel poverty. Surrey is below average for housing benefit with 5.6% of households receiving benefit, compared to 7% in the South East.

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### Crime

Crime rates are low in Surrey, with 60 recorded offences per 1,000 population in 2022 – the third lowest rate of any Police Force Area in England and Wales. Of 23 sub-categories of Police recorded crime, in 2022 Surrey's rate per 1,000 population was the absolute lowest for any Police Force Area in England and Wales for homicide, violence with injury, sexual offences, shoplifting, and criminal damage / arson.

## Narrative Report to the Statement of Accounts

### ○ THE SURREY WAY

The Surrey Way articulates that our guiding mission as an organisation is to ensure that no one is left behind, and that this ambition runs through everything that we do and the decisions that we make.

*No one left behind* is also at the core of the 2030 Community Vision, which was developed with residents, communities and partners, and sets out how we collectively want Surrey to be by 2030. Surrey County Council's Organisation Strategy 2023-2028 sets out the detail of our contribution to this Vision, providing a clear strategic direction for the Council and elaborates on the ambitions for Our Purpose, Our Organisation, and Our People set out in the The Surrey Way.

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 the COVID pandemic and more recently the cost of living crisis. However, we continue to face financial challenges alongside rising demand for services.

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 vulnerable. However, as many residents never need to access these services, we also continue to develop new projects to respond to the big challenges the county and its people face every day.

To have a meaningful impact on the lives of all residents and become a truly high performing council, we must go beyond what we are required to do, and therefore these new projects and services focus on four priority objectives where we can create the most impact for Surrey to thrive.

The Surrey Way and the Organisation Strategy set out these priority objectives, based on extensive research and engagement, reflecting where we believe we can maximise the improvement to outcomes for people living and working in the county.

## Narrative Report to the Statement of Accounts

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### No One Left Behind

Our ambition is to help everyone in Surrey take all the opportunities on offer in our county, to make sure everyone can benefit and no one is left behind. Now, and in the future.

Helping those who need us most, and improving quality of life for everyone.

Our four priorities to help deliver this are:

1. Growing a sustainable economy

Providing the right conditions for business to thrive, delivering skills, jobs and opportunity for all.

2. Tackling health inequality

Improving life expectancy and quality of life for all, and addressing root causes of ill-health.

3. Enabling a greener future

Tackling the Climate Emergency together, to protect our future.

4. Empower communities

Partnering with local communities to deliver projects, opportunities and support that is right for local places.

The Surrey Way also articulates that measurement and delivery of continual improvement are fundamental to our approach, through our Performance Framework. We track performance against our organisational priorities, service effectiveness, and organisational effectiveness. This ensures we deliver quality, adaptable and financially sustainable services, are continually upgrading our ways of working across Our Organisation and Our People, and continue to align our resources, manage demand, and take an evidence-based approach to make the most difference to the lives of residents.



# Narrative Report to the Statement of Accounts

## ○ THE COUNCIL'S PERFORMANCE ACHIEVEMENTS 2022/23

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:

Launch of the  
**Climate  
Change  
Delivery  
Plan** and  
COP26 Regional Roadshow



Committed **£48 million**  
to ensure all  
buses in  
Surrey are  
ultra-low or  
zero emissions vehicles  
within a decade



Achieved **third best**  
recycling rate in  
England, one of  
the most  
important ways  
we can combat climate  
change



Obtained **£14 million** of  
government funding to help  
low-income households  
improve energy efficiency,  
reduce carbon emissions  
and save money on bills

Partnering  
with  
Community  
Energy South  
to support  
community-led



Providing grants of up to  
**£10,000** to  
help small and  
medium-sized  
businesses  
make themselves greener



Committed **£1.9bn** for  
investment in flood  
alleviation, highways  
upgrade and maintenance  
and new school facilities



**renewable energy  
projects** in Surrey to  
provide low-carbon heat  
and power, managed by  
local people



The Outline Business Case  
was approved for the River  
Thames Scheme, unlocking  
**millions** in funding and  
meaning detailed design  
and planning work could  
begin



Our first **on-demand** bus  
service launched in  
Leatherhead, as an early  
part of our drive to make  
public transport more  
accessible and get people  
out of their cars



## Narrative Report to the Statement of Accounts

**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



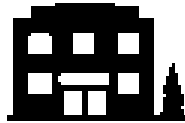
Working with partners to tackle the impact of **education, housing, the built environment, air quality and healthy workplaces on physical and mental health** of residents



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**



## Narrative Report to the Statement of Accounts

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

**Combatting 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



**£100m 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 issue

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



## Narrative Report to the Statement of Accounts

### ○ FINANCIAL PERFORMANCE

The final outturn for the year is a small surplus of £1m (approximately 0.1% variance to budget). Further detail on delivery of efficiencies and the overall outturn position is set out in the 2022/23 Outturn Financial Report to Cabinet on 1st June. The final figure for the CIES Provision of Services for the year is a deficit of £100m (approximately 10.0% variance to budget).

There are accounting adjustments for capital, pensions and reserves that lead to a deficit of £102m (surplus £59m 2021/22) 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 £220m over the next 5 years to 2027/28, as set out in 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. If the contingency budget is not required in full in any given year, then it is first used to ensure a sustainable level of reserves. Maintaining financial resilience in this way is key to weathering future challenges. Once reserves have been restored to a sustainable level, then consideration of the use of contingency to support additional investment opportunities can be considered.

The 2022/23 budget was set during a period of continuing economic recovery from the coronavirus pandemic. However, shortly after the MTFs was approved, the conflict in Ukraine added further volatility and contributed to rising and persistent inflation and higher interest rates. Hyper-inflation continued throughout the financial year alongside global uncertainty and instability in the UK economy.

These factors all contributed to significant overspend being forecast throughout the 2022/23 financial year. Management action was taken to identify mitigating activities and the contingency budget was utilised, in order to reach the positive outturn position.

### ○ 2022/23 REVENUE SPENDING & BUDGET PERFORMANCE

#### ▪ Efficiencies

The Council achieved £27.5m (c59%) of the £46.8m 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

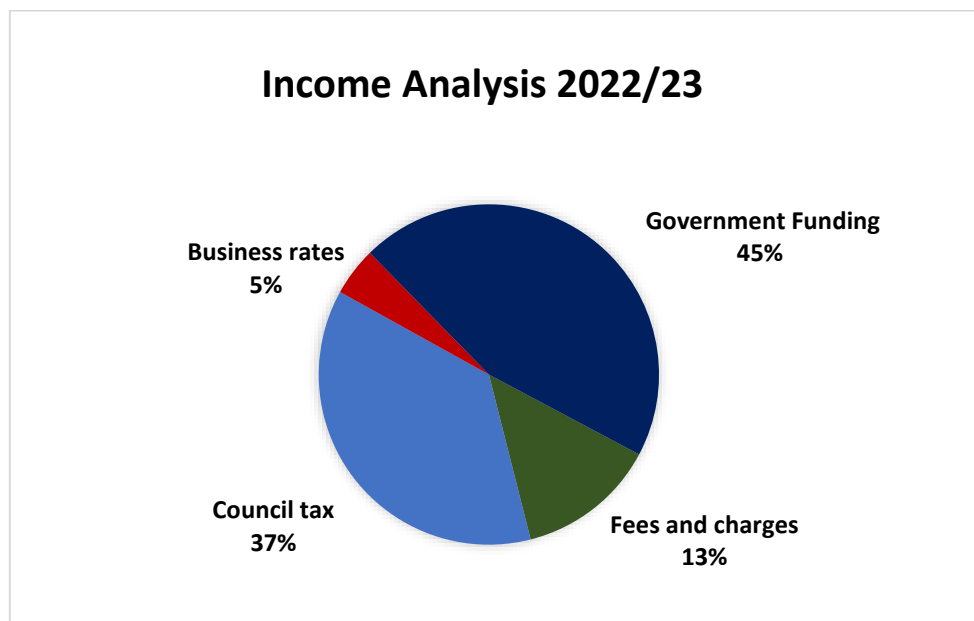
## Narrative Report to the Statement of Accounts

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 £161m.

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.

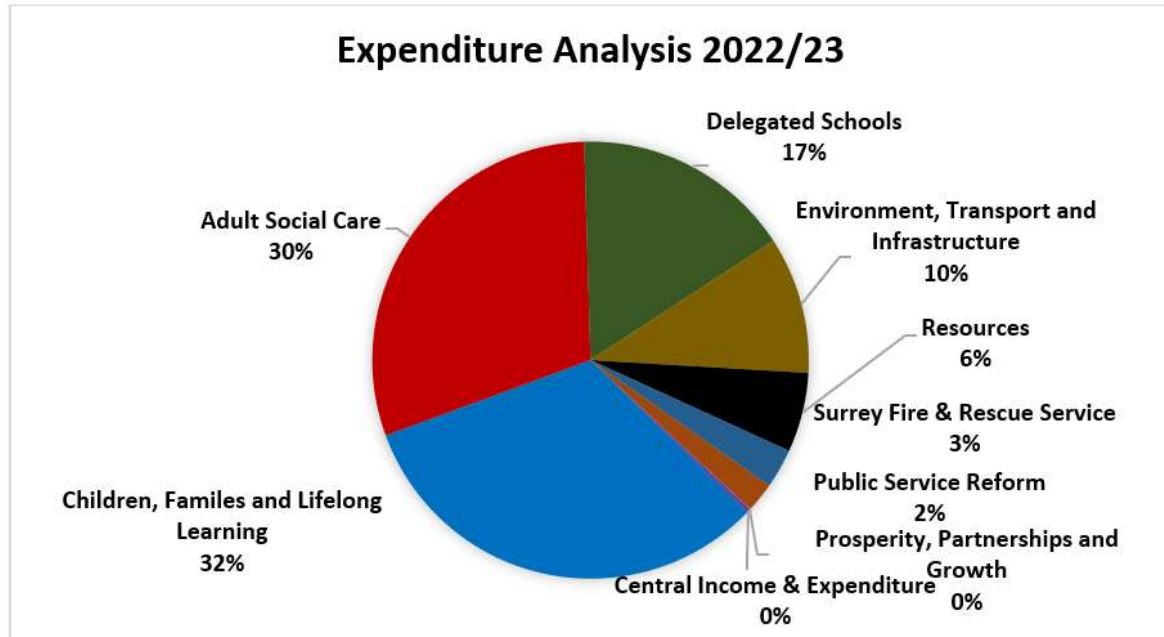
- **Revenue Expenditure and Funding**

The chart below shows the split of income by core sources for 2022/23:



## Narrative Report to the Statement of Accounts

The chart below shows the split of expenditure across directorates for 2022/23.



### ○ BALANCE SHEET

The Council holds £2,530m of long-term assets at 31<sup>st</sup> March 2023 (£2,414m as at 31<sup>st</sup> March 2022), 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 £701m at the balance sheet date (£1,887m at 31<sup>st</sup> March 2022; a decrease of £1,186m). The firefighters pension liability is also included within the Council's Accounts and is estimated to be £454m, an decrease of £206m 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

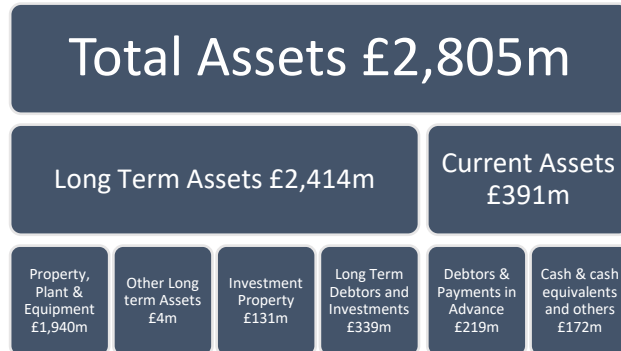
The Council continues to pursue a strategy of temporarily borrowing using its internal resources to finance capital expenditure and using short-term borrowing to cover short-term cash flow requirements. Long-term borrowing is £480m (2021/22 £496m). This is a decrease of £16m from 31<sup>st</sup> March 2022.

## Narrative Report to the Statement of Accounts

Short-term borrowing, mainly from other Local Authorities, has decreased to £171m (2021/22 £228m), as part of the financing strategy for the Council's Capital Programme

### Balance Sheet

As at 31<sup>st</sup> March 2022



Offset by:



Makes:

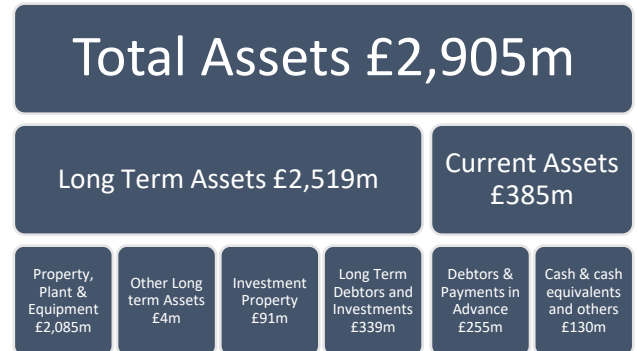


Funded by:



### Balance Sheet

As at 31<sup>st</sup> March 2023



Offset by:



Makes:



Funded by:

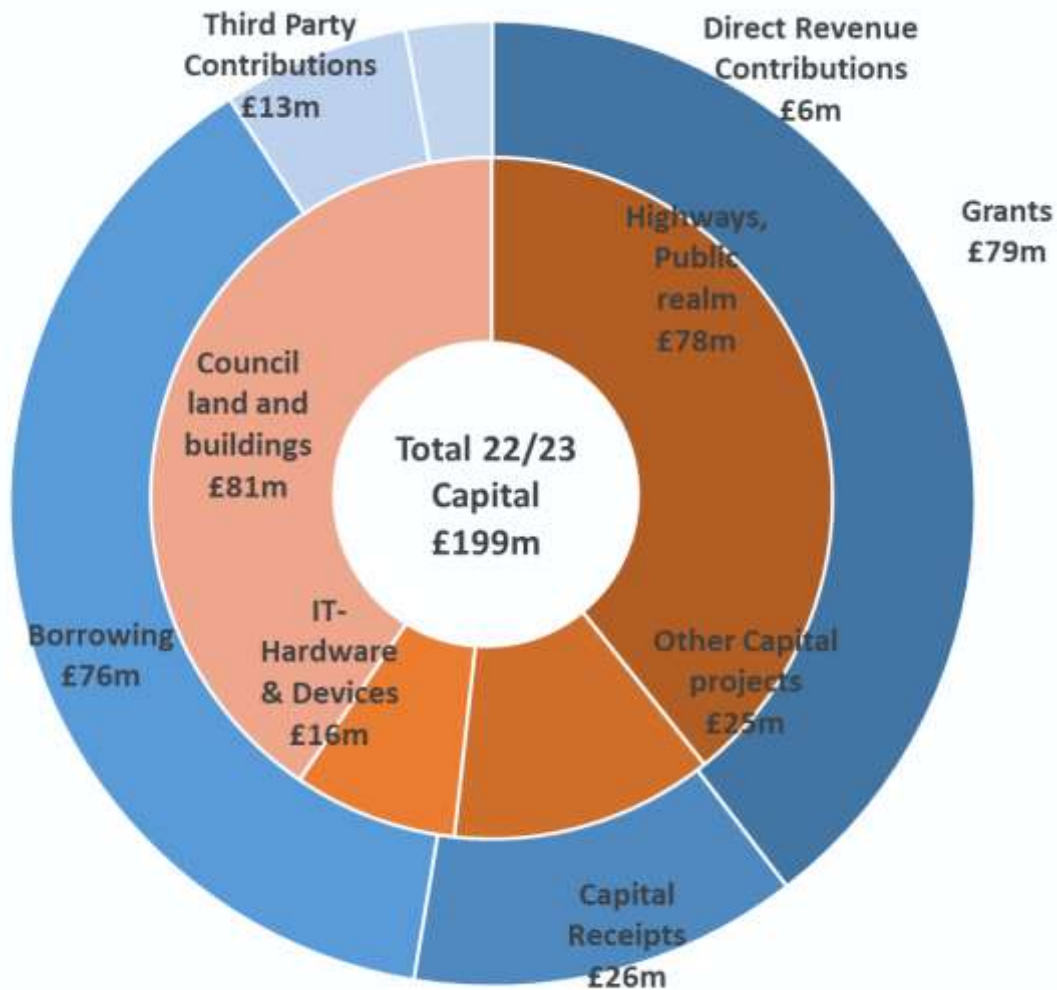


## Narrative Report to the Statement of Accounts

### ○ CAPITAL

The Council set a capital budget for 2022/23 of £215.8m in February 2022. The budget was reset at month 9 to £211.1m, 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 £199.4m, which is a variance of £11.7m against the re-set budget (5.5%).

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







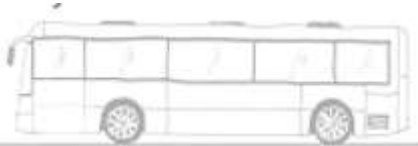
### Looking forward

The Council has an ambitious five-year capital investment programme totalling £1.2bn making Surrey a place fit for the future. There is also £0.7bn 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.



## Narrative Report to the Statement of Accounts

### Top 10 Budget Schemes over 5-year MTF

#### Infrastructure:

1. **£200 million Highway Maintenance** – Improvements to roads and footways 
2. **£100 million Surrey Flood Alleviation** – River Thames Scheme 
3. **£51 million Bridges/Structures Maintenance** – Improvements and safety maintenance 
4. **£44 million A320 North of Woking and Junction 11 of M25** – Road and junction improvements 
5. **£27 million Ultra Low Emission Vehicles** – Investment in low emission buses across Surrey 

#### Property:

1. **£139 million Schools Basic Need** – Increasing school places and building schools 
2. **£82 million Schools Maintenance** – Maintaining existing school buildings 
3. **£64 million SEND Strategy Phases 1-3** – Increasing provision for special education needs and disability in schools **SEND**
4. **£56 million Property Maintenance** – Maintenance of community facilities, buildings and offices 
5. **£34 million Looked After Children Schemes** – Increasing capacity and quality of residential homes for children 



## Narrative Report to the Statements

### ○ STRATEGIC RISKS FOR UPCOMING YEAR AND GOVERNANCE

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

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

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

Our key strategic risks are set out below:

#### **Financial Resilience**

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

#### **Organisational Resilience**

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

#### **Ways we work**

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

#### **Social Care**

- Resurgence of Covid-19 or other
- Inability to meet an increasing level of demand for services
- Not delivering sufficiently good quality adult's or children's.

## Narrative Report to the Statements

### EXPLANATION OF ACCOUNTING STATEMENTS

The Statement of Accounts sets out the Council's income and expenditure for the year, and its financial position at 31<sup>st</sup> March 2023. 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 2022/23, which in turn is underpinned by International Financial Reporting Standards.

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#### 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.

## Narrative Report to the Statements

### ○ MATERIAL 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 2021/22 onwards requiring councils to show accumulated DSG deficit (£63m in 2022/23, £63m in 2021/22) 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
- Connect2Surrey – The Council exercise control over this limited company, a temporary recruitment company specialising in the public sector.

Group accounts are therefore prepared, combining the accounts of these organisations with those of the Council and excluding any intra-group transactions and balances, to give an overall group position. However, the economic activity of the trust fund (Henrietta Parker) and Connect2Surrey is not deemed material and therefore has not been incorporated into the group accounts.

## Statement of Responsibilities

# Statement of Responsibilities

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### The Council's responsibilities

The Council is required to:

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

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### 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

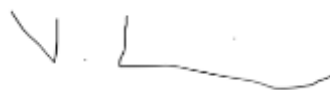
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### Certification

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



Anna D'Alessandro  
Director of Finance – Corporate and Commercial  
(Interim s151 Officer)



Victor Lewanski  
Chairman of Audit & Governance Committee

**Comprehensive Income & Expenditure Statement**

## Comprehensive Income & Expenditure Statement

Services	Gross Expenditure for Year ended 31 March 2022 £000	Income for Year ended 31 March 2022 £000	Net Expenditure for Year ended 31 March 2022 £000	Gross Expenditure for Year ended 31 March 2023 £000	Income for Year ended 31 March 2023 £000	Net Expenditure for Year ended 31 March 2023 £000
Children, Families, & Lifelong Learning	634,618	(298,912)	335,706	704,678	(339,309)	365,370
Delegated Schools	350,672	(344,916)	5,756	367,843	(356,044)	11,799
Adult Social Care	608,460	(199,567)	408,893	680,339	(215,037)	465,302
Public Service Reform	62,749	(66,556)	(3,807)	49,133	(52,194)	(3,061)
Surrey Fire & Rescue Service	64,466	(8,951)	55,515	66,087	(6,479)	59,608
Environment, Transport & Infrastructure	201,723	(22,883)	178,840	228,459	(29,166)	199,293
Resources	147,214	(78,715)	68,499	132,774	(75,251)	57,523
Partnership, Prosperity and Growth	1,449	(33)	1,416	1,673	(90)	1,583
Central Income & Expenditure	259	(54,102)	(53,843)	60,341	(67,173)	(6,832)
<b>Cost of Services – Continuing Operations</b>	<b>2,071,610</b>	<b>(1,074,63)</b>	<b>996,975</b>	<b>2,291,327</b>	<b>(1,140,74)</b>	<b>1,150,584</b>
Other Operating Income & Expenditure (note 10)	73,041	(41,684)	<b>31,357</b>	29,814	(25,392)	<b>4,422</b>
Financing & Investment Income & Expenditure (note 11)	126,906	(67,745)	<b>59,161</b>	186,424	(89,191)	<b>97,233</b>
Local Taxation (note 12)	-	(917,667)	<b>(917,667)</b>	-	(951,523)	<b>(951,523)</b>

### Comprehensive Income & Expenditure Statement

General Grants & Contributions (note 12 and note 31)	-	(229,252)	<b>(229,252)</b>	-	(198,430)	<b>(198,430)</b>
Taxation, General Grants & Contributions	-	(1,146,919)	<b>(1,146,919)</b>	-	(1,149,953)	<b>(1,149,953)</b>
<b>(Surplus) or Deficit on Provision of Services</b>	<b>2,271,557</b>	<b>(2,330,983)</b>	<b>(59,426)</b>	<b>2,507,565</b>	<b>(2,405,279)</b>	<b>102,286</b>
(Surplus) or Deficit on Revaluation of Non-Current Assets	-	-	<b>(95,033)</b>	-	-	<b>(124,391)</b>
Remeasurement of the Net Defined Benefit Liability	-	-	<b>(422,097)</b>	-	-	<b>(1,315,634)</b>
<b>Other Comprehensive Income &amp; Expenditure</b>	-	-	<b>(517,130)</b>	-	-	<b>(1,440,025)</b>
<b>Total Comprehensive Income &amp; Expenditure</b>	-	-	<b>(576,556)</b>	-	-	<b>(1,337,739)</b>

## Movement in Reserves Statement

### Movement in Reserves Statement

	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
<b><u>2022/23</u></b>						
<b>Balance at 31 March 2022</b>	(461,259)	(782)	(189,185)	(651,226)	840,034	188,808
(Surplus) or deficit on provision of services (accounting basis)	102,286	0	0	102,286	0	102,286
Other comprehensive income & expenditure	0	0	0	0	(1,440,025)	(1,440,025)
<b>Total comprehensive income &amp; expenditure</b>	<b>102,286</b>	<b>0</b>	<b>0</b>	<b>102,286</b>	<b>(1,440,025)</b>	<b>(1,337,739)</b>
Adjustments between accounting basis & funding basis under regulations (note 8)	(113,821)	(53,688)	(33,445)	(200,954)	200,954	0
<b>Increase/decrease in year</b>	<b>(11,535)</b>	<b>(53,688)</b>	<b>(33,445)</b>	<b>(98,668)</b>	<b>(1,239,071)</b>	<b>(1,337,739)</b>
<b>Balance at 31 March 2023</b>	<b>(472,795)</b>	<b>(54,470)</b>	<b>(222,629)</b>	<b>(749,894)</b>	<b>(399,038)</b>	<b>(1,148,932)</b>
<b><u>2021/22</u></b>	-	-	-	-	-	-
<b>Balance at 1 April 2021</b>	(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)
<b>Total comprehensive income &amp; expenditure</b>	<b>(59,426)</b>	<b>0</b>	<b>0</b>	<b>(59,426)</b>	<b>(517,130)</b>	<b>(576,556)</b>
Adjustments between accounting basis & funding basis under regulations (note 8)	(7,804)	63,681	(94,224)	(38,347)	38,347	0
<b>Increase/decrease in year</b>	<b>(67,230)</b>	<b>63,681</b>	<b>(94,224)</b>	<b>(97,773)</b>	<b>(478,783)</b>	<b>(576,556)</b>
<b>Balance at 31 March 2022</b>	<b>(461,259)</b>	<b>(782)</b>	<b>(189,185)</b>	<b>(651,226)</b>	<b>840,034</b>	<b>188,808</b>

## Balance Sheet

### Balance Sheet

<b>Assets, Liabilities &amp; Reserves</b>	<b>As at 31.03.2022 £000</b>	<b>As at 31.03.2023 £000</b>
Property, plant & equipment (note 13)	1,939,331	2,094,488
Heritage assets	1,024	1,024
Investment property (note 14)	131,320	91,465
Intangible assets	3,588	3,338
Long term investments (note 16)	97,036	97,036
Long term debtors (note 16)	242,176	241,740
<b>Long term assets</b>	<b>2,414,395</b>	<b>2,519,259</b>
Short term:	-	-
Assets held for sale (note 19)	27,710	22,286
Inventories	1,255	1,182
Short term debtors (note 17)	189,611	254,971
Cash & cash equivalents (note 18)	171,944	106,969
<b>Current assets</b>	<b>390,520</b>	<b>385,408</b>
Short term:	-	-
Borrowing (note 16)	(237,996)	(173,810)
Creditors (note 20)	(260,381)	(293,310)
Provisions (note 21)	(2,480)	(2,651)
Revenue grants receipts in advance	(1,511)	(7,450)
Capital grants receipts in advance	(34)	(10)
Other current liabilities (note 35)	(21,771)	(19,840)
<b>Current liabilities</b>	<b>(525,173)</b>	<b>(497,071)</b>
Provisions (note 21)	(13,022)	(11,604)
Long term borrowing (note 16)	(487,281)	(477,762)
Other long term liabilities (note 35)	(1,968,246)	(769,297)
<b>Long term liabilities</b>	<b>(2,468,549)</b>	<b>(1,258,663)</b>
<b>Net assets/(liabilities)</b>	<b>(188,808)</b>	<b>1,148,932</b>
Usable reserves (note 9, 22)	(651,226)	(749,895)
Unusable reserves (note 23)	840,034	(399,037)
<b>Total reserves</b>	<b>188,808</b>	<b>(1,148,932)</b>



## Cash Flow Statement

### Cash Flow Statement

	31.03.2022	31.03.2023
Cash flows	£000	£000
Net surplus or (deficit) on the provision of services	59,426	(102,286)
Adjustment to surplus or deficit on the provision of services for non-cash movements (note 40)	199,815	295,278
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities (note 40)	(156,622)	(161,084)
<b>Net cash flows from operating activities</b>	<b>102,619</b>	<b>31,908</b>
<b>Net cash flows from investing activities (note 41)</b>	<b>10,340</b>	<b>(10,747)</b>
<b>Net cash flows from financing activities (note 42)</b>	<b>(19,233)</b>	<b>(86,136)</b>
<b>Net increase or decrease in cash and cash equivalents</b>	<b>93,726</b>	<b>(64,975)</b>
Cash and cash equivalents at the beginning of the reporting period	78,218	171,944
Cash and cash equivalents at the end of the reporting period	171,944	106,969

The cash flows from operating activities in 2022/23 include interest received of £18.3m (2021/22, £15.1m) and interest paid of £29.3m (2021/22, £28.7m).

## Notes to the Financial Statements

### Note 1: Expenditure and Funding Analysis

<b>2022/23</b>	<b>As reported for resource management in outturn report £000</b>	<b>Adjustments to arrive at the net amount chargeable to the General Fund £000</b>	<b>Net Expenditure Chargeable to the General Fund £000</b>	<b>Adjustments between the funding and accounting basis £000</b>	<b>Net Expenditure in the I&amp;E Account £000</b>
Children, Families, and Lifelong learning	271,980	52,918	324,898	40,472	365,370
Delegated Schools *	0	2,252	2,252	9,547	11,799
Public Service Reform	36,386	(40,163)	(3,777)	716	(3,061)
Adult Social Care	406,178	45,940	452,118	13,184	465,302
Surrey Fire and Rescue Service	37,512	10,914	48,426	11,182	59,608
Environment, Transport and Infrastructure	138,703	13,730	152,433	46,860	199,293
Resources	124,300	(128,121)	(3,821)	61,344	57,523
Partnership, Prosperity and Growth	1,485	(51)	1,434	149	1,583
Central Income & Expenditure **	151,146	2,702	153,848	(160,680)	(6,832)
	<b>1,167,690</b>	<b>(39,880)</b>	<b>1,127,810</b>	<b>22,774</b>	<b>1,150,584</b>
Other Income and Expenditure	(1,168,343)	28,998	(1,139,345)	91,047	(1,048,298)
<b>Surplus (-) or deficit</b>	<b>(653)</b>	<b>(10,882)</b>	<b>(11,535)</b>	<b>113,821</b>	<b>102,286</b>

## Notes to the Financial Statements

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

## Notes to the Financial Statements

General fund balance (including earmarked) reserves reconciliation

<b>General Fund</b>	2021/22 £000	2022/23 £000
Opening General Fund Balance (including Earmarked Reserves)	(394,029)	(461,259)
(Surplus)/Deficit on General Fund	(67,230)	(11,535)
<b>Closing General Fund Balance (including Earmarked Reserves)</b>	<b>(461,259)</b>	<b>(472,795)</b>

\*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.

## Notes to the Financial Statements

### Note 1a: Note to the Expenditure and Funding Analysis

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts 2022/23	Adjustments for Capital Purposes (Note 1) £000	Net Change for the Pensions Adjustments (Note 2) £000	Other Differences (Note 3) £000	Total Adjustments £000
Children, Families and Lifelong Learning	24,416	16,056	0	40,473
Delegated Schools*	493	9,054	0	9,547
Public Service Reform	0	716	0	716
Adult Social Care	(180)	13,364	0	13,184
Surrey Fire and Rescue Service	1,998	9,184	0	11,181
Environment, Transport and Infrastructure	39,609	5,047	2,204	46,860
Resources	45,000	16,344	0	61,344
Partnership, Prosperity and Growth	0	149	0	149
Central Income & Expenditure **	(114,466)	(40,456)	(5,758)	(160,680)
<b>Net Cost of Service</b>	<b>(3,130)</b>	<b>29,458</b>	<b>(3,554)</b>	<b>22,773</b>
Other Income and Expenditure	8,215	99,608	(16,776)	91,047
<b>Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit</b>	<b>5,085</b>	<b>129,066</b>	<b>(20,330)</b>	<b>113,821</b>

## Notes to the Financial Statements

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

### 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.

## Notes to the Financial Statements

### 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.

Service	2021/22 £000	2022/23 £000
Children, Families, and Lifelong Learning	(11,081)	(8,728)
Delegated Schools	(20,453)	(26,479)
Adult Social Care	(77,468)	(85,216)
Surrey Fire and Rescue Service	(4,204)	(2,803)
Environment, Transport and Infrastructure Resources	(13,262)	(10,642)
Partnership, Prosperity and Growth	0	0
<b>Total</b>	<b>(152,141)</b>	<b>(160,384)</b>

## Notes to the Financial Statements

### Note 2: Income and expenditure analysed by nature

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

Income and Expenditure	2021/22 £000	2022/23 £000
<b>Expenditure</b>	-	-
Employee benefits expenses	530,992	589,574
Staff expenditure at voluntary aided and foundation schools	188,864	167,830
Depreciation, amortisation and impairment	92,385	123,761
Loss in fair value of investment properties	0	12,391
Derecognition of non-current assets	14,055	25,201
Other service expenses	1,325,816	1,433,615
Interest payments	118,355	147,417
Precepts and levies	1,090	1,322
<b>Total Expenditure</b>	<b>2,271,557</b>	<b>2,507,565</b>
<b>Income</b>	-	-
Government grant and contributions	(990,119)	(1,019,487)
Fees, charges and other service income	(383,903)	(346,193)
(Gain) or loss on disposal of non-current assets	29,470	(3,658)
Gains in fair value of investment properties	(8,380)	0
Income from council tax and business rates	(917,667)	(951,523)
Interest and investment income	(60,384)	(84,418)
<b>Total income</b>	<b>(2,330,983)</b>	<b>(2,405,279)</b>
Deficit on the provision of services	<b>(59,426)</b>	<b>102,286</b>

This note has been restated for 2021/22 as Interest income on the net benefit liability (£45,329k) was not classified correctly in this note as Interest and Investment income.

The gain/loss on disposal of non-current assets is shown as net in the 2021/22 note although the gain and loss are shown separately in the 22/23 note. This presentation difference has no impact on the total surplus/deficit of the council.



## Note 3. Accounting policies

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### General principles

The statement of accounts summarises the Council's transactions for the 2022/23 financial year and its position at the year ending 31 March 2023. 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 2022/23 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.

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### 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.

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### 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

## Notes to the Financial Statements

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.

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### 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.

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### 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;

## Notes to the Financial Statements

- 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.

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### 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:

## Notes to the Financial Statements

- 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;

## Notes to the Financial Statements

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

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

### Discretionary benefits

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

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## 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;

## Notes to the Financial Statements

- 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.

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### 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).

## Notes to the Financial Statements

### 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.

## Notes to the Financial Statements

### Expected Credit Losses

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

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

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

- **Group 1** – loans made to individual organisations. Loss allowances for these loans can be assessed on an individual basis.
- **Group 2** – loans supported by government funding. As the loan repayments are recycled and the contract allows for a level of default then no additional impairment loss is required.
- **Group 3** - car loans to employees. Loss allowances are based on a collective assessment.

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

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

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

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### 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



## Notes to the Financial Statements

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.

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### 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.

## Notes to the Financial Statements

### 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 2022/23 group accounts have been produced due to material balances held by subsidiary companies. The Council has determined it exerts significant control over Connect2Surrey however groups accounts have not been consolidated on the basis of an immaterial balance.

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 2022/23 Surrey County Council, East Sussex County Council and

## Notes to the Financial Statements

Brighton & Hove City Council contributed to the Joint Operating budget in proportion to their service delivery requirements, which were 50%, 28% and 22% respectively.

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### Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee otherwise all other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

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

The Council does not currently have any material finance leases. However from April 2024 under IFRS16, all leases will be treated as if they are finance leases and will be on the balance sheet. See Note 3a Accounting standards issued but not yet adopted for further details.

#### 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.

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### 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.

## Notes to the Financial Statements

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### 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.

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### 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

## Notes to the Financial Statements

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);

## Notes to the Financial Statements

- 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

## Notes to the Financial Statements

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

## Notes to the Financial Statements

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

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### 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.



## **Notes to the Financial Statements**

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.

## Notes to the Financial Statements

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### 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.

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### 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.

## Notes to the Financial Statements

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### 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.

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### 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.

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### 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.

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### 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.
- **Definition of Accounting Estimates (Amendments to IAS 8)**
- **Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)**
- **Deferred Tax related to Assets and Liabilities arising from a single transaction (Amendments to IAS 122)**

## 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.

## Notes to the Financial Statements

Issue	Judgement
Schools accounting	<p>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.</p> <p>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.</p>

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

The Statement of Accounts contains estimated figures based on assumptions about the future or that are otherwise uncertain. Estimates take into account historical experience, current trends and other relevant factors. In addition, contingent assets and liabilities, which are not reflected in the statements, are assessed and disclosed in Note 39, and any material items are disclosed in note 7

The items in the council's Balance Sheet at 31 March 2023 for which significant assumptions have been made are set out in the table that follows:

## Notes to the Financial Statements

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.	<p>The Council's Property, Plant and Equipment (PPE) are held on a long-term basis and require regular valuation to ensure the Council's financial statements accurately reflect the true worth of its assets. Valuations are undertaken by qualified professionals to provide up to date assessments using accepted valuation bases and methods.</p> <p>However, if assumptions within the methodology do not materialise then there could be a material impact on the value of land and buildings.</p> <p>The council carries out a rolling programme that ensures that all Land and Buildings required to be measured at current value is revalued at least every five years.</p> <p>A movement of 1% in PPE valuations would result in a change in asset value of £15.9m and a change in depreciation charge c£0.5m in the Comprehensive Income and Expenditure Statement.</p>
Fair value measurements	<p>Surplus and Investment Properties cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), so their fair value is measured using income or market approach valuation techniques. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible unobservable inputs, which require judgement, are used to establish fair values. The significant unobservable inputs used in the fair value measurement include assumptions regarding passing rents and yields, estimated sale values, revenue streams and discount rates.</p>	<p>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.</p> <p>Investment properties are valued using comparable land values, rent/yield basis of deferred market value. A 1% reduction in market rents or house prices and land values would reduce the Investment Property Valuations by £0.9m. A 10% reduction in prices and land values would reduce them by £9.1m.</p> <p>Surplus properties are valued using comparable land values, residual site values and rent/yield basis. A 1% reduction in land values would reduce the surplus property valuations by £0.4m. A 10%</p>

## Notes to the Financial Statements

Item	Uncertainties	Effect if actual results differ from assumptions
Pensions Liability	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.	reduction would reduce them by £3.4m.
	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a decrease of 0.5% in the real discount rate would result in an increase in the pension liability of £230m for the LGPS. and £44m for the firefighters' pension fund. Accounting standard IAS19 requires the liabilities to be valued using assumptions based on gilt and corporate bonds yields. Asset performance being better than expected over the year has led to a decrease in pension deficit.

### **Note 6: Events after the balance sheet date**

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

### **Note 7: Material items of income and expenditure**

Included in the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement (CIES) is a derecognition charge of £25.2m related to the derecognition of academy schools (£14.1m in 2021/22). 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 2022/23, 13 schools transferred to academy status (7 in 2021/22).

### **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 2022/23 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.

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#### General Fund Balance

The General Fund is the statutory fund into which all the receipts of an authority are required to be 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.

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#### 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



## Notes to the Financial Statements

generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs.

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### 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.

	<b>General Fund and Earmarked Reserves £000</b>	<b>Capital Receipts Reserve £000</b>	<b>Capital grant &amp; contributions unapplied reserve £000</b>
<b>Adjustments 2022/23</b>			
<b>Adjustments to the Revenue Resources</b>			
Amounts by which income and expenditure included in the Comprehensive income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:			
Pension costs (transferred to Pension Reserve)	(129,066)		
DSG deficit (transferred to DSG Adjustment Account)	0		
Council tax and business rates (transferred to Collection Fund)	20,569		
Holiday pay (transferred to the Accumulated Absences Reserve)	(238)		
<b>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):</b>			
Charges for depreciation and impairment of non-current assets	(107,260)		
Revaluation loss on property, plant & equipment	(12,696)		
Other movements in valuation on property, plant and equipment	0		
Movement on fair value on investment property	(12,311)		
Amortisation of intangible assets	(1,225)		
IFRS9 Capital Impairments	0		
Disposal of academies	0		
Net gain/(loss) on disposal of investment property	0		
Net gain/(loss) on disposal of financial assets	0		
Revenue expenditure funded from capital under statute	(29,995)		
Deferred income in respect of PFI schemes	1,123		
PPE Disposal Proceeds	60,495		
Carrying Amount of PPE Disposals	(63,291)		

## Notes to the Financial Statements

	General Fund and Earmarked Reserves £000	Capital Receipts Reserve £000	Capital grant & contributions unapplied reserve £000
<b>Adjustments 2022/23</b>			
Capital grants & contributions unapplied credited to the Comprehensive Income & Expenditure Account	124,642		(124,642)
<b>Total Adjustments to the Revenue Resources</b>	<b>(149,253)</b>		<b>(124,642)</b>
<b>Adjustments between Revenue &amp; Capital Resources</b>			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve		(60,495)	
Transfer from Deferred Capital Receipts Reserve		(18,747)	
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	29,642		
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	5,790		
<b>Total Adjustments between Revenue &amp; Capital Resources</b>	<b>35,432</b>	<b>(79,242)</b>	<b>0</b>
<b>Adjustments to Capital Resources</b>			
Application of capital grants to finance capital expenditure			91,197
Application of capital receipts to reduce capital financing requirement		25,554	
Use of capital receipts to fund revenue expenditure			
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>25,554</b>	<b>91,197</b>
<b>Total Adjustments</b>	<b>(113,821)</b>	<b>(53,688)</b>	<b>(33,445)</b>

	General Fund and Earmarked Reserves £000	Capital Receipts Reserve £000	Capital grant & contributions unapplied reserve £000
<b>Adjustments 2021/22</b>			
<b>Adjustments to the Revenue Resources</b>			
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 (transferred to Collection Fund)	38,090		
Holiday pay (transferred to the Accumulated Absences Reserve)	(709)		
<b>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):</b>	<b>-</b>		

## Notes to the Financial Statements

	General Fund and Earmarked Reserves £000	Capital Receipts Reserve £000	Capital grant & contributions unapplied reserve £000
<b>Adjustments 2021/22</b>			
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		(173,437)
<b>Total Adjustments to the Revenue Resources</b>	<b>(37,988)</b>	-	<b>(173,437)</b>
<b>Adjustments between Revenue &amp; Capital Resources</b>			
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		
<b>Total Adjustments between Revenue &amp; Capital Resources</b>	<b>30,185</b>	<b>0</b>	<b>0</b>
<b>Adjustments to Capital Resources</b>			
Application of capital grants to finance capital expenditure			79,214
Application of capital receipts to reduce capital financing requirement		63,681	
Use of capital receipts to fund revenue expenditure			
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>63,681</b>	<b>79,214</b>
<b>Total Adjustments</b>	<b>(7,804)</b>	<b>63,681</b>	<b>(94,224)</b>

## Notes to the Financial Statements

### 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 2022/23.

Transfers to/from earmarked reserves	Balance at 31/03/21 £000	Transfers In £000	Transfers Out £000	Balance at 31/03/22 £000	Transfers In £000	Transfers Out £000	Balance at 31/03/23 £000
Investment Renewals	5,054	0	(42)	5,011	0	0	5,011
Equipment Replacement	3,333	372	(254)	3,450	233	(901)	2,784
Budget Equalisation	84,388	41,787	(22,845)	103,330	18,700	(31,435)	90,596
Streetlighting PFI Fund	1,826	0	(636)	1,190	0	(636)	555
Insurance	10,635	590	(1,967)	9,257	725	(1,175)	8,806
Eco Park Sinking Fund	23,111	0	(970)	22,141	0	(2,204)	19,937
Capital Investment	7,389	158	(60)	7,487	135	(2,383)	5,239
Interest Rate	1,600	0	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	1,068	2,621	(621)	3,068	15,000	(10,334)	7,734
COVID-19 Emergency Fund	6,135	0	(277)	5,858	0	(5,358)	500
CFLC Inspection and System Improvements	683	74	(501)	256	32	(98)	190
<b>Total General Fund Reserves</b>	<b>196,706</b>	<b>45,602</b>	<b>(28,173)</b>	<b>214,132</b>	<b>34,825</b>	<b>(54,524)</b>	<b>194,436</b>
Schools Balances	50,681	5,956	(4,481)	52,155	8,859	(11,571)	49,443
SEND High Needs Block	83,105	35,298	0	118,404	25,599	0	144,003
<b>Total School Reserves</b>	<b>133,786</b>	<b>41,254</b>	<b>(4,481)</b>	<b>170,559</b>	<b>34,458</b>	<b>(11,571)</b>	<b>193,446</b>
Revenue Grants Unapplied	35,500	753,732	(761,024)	28,208	962,690	(936,310)	54,588
<b>Total Earmarked Reserves</b>	<b>365,992</b>	<b>840,588</b>	<b>(793,678)</b>	<b>412,899</b>	<b>1,031,973</b>	<b>(1,002,405)</b>	<b>442,470</b>

**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

## Notes to the Financial Statements

**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 2021/22 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

## Notes to the Financial Statements

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.

## Notes to the Financial Statements

### Note 10: Other operating income and expenditure

Other Operating Income and Expenditure	Net Expenditure 2021/22 £000	Gross Expenditure 2022/23 £000	Income 2022/23 £000	Net Expenditure 2022/23 £000
Land Drainage Precept	1,090	1,322		1,322
Contributions from Trading Services (Gain) or Loss on Disposal of Non- Current Assets	797	22,038	(21,734)	303
	29,470	6,454	(3,658)	2,796
<b>Total</b>	<b>31,357</b>	<b>29,814</b>	<b>(25,392)</b>	<b>4,422</b>

### 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.

Financing and Investment Income and Expenditure	Net Expenditure 2021/22 £000	Gross Expenditure 2022/23 £000	Income 2022/23 £000	Net Expenditure 2022/23 £000
Interest payable and similar charges	28,670	29,372	-	29,372
Note 38: Net interest on the net defined benefit liability	44,353	118,045	(66,064)	51,981
Interest receivable and similar income	(15,055)		(18,354)	(18,354)
Net (gains)/losses on financial assets at fair value through profit and loss	0	0	0	0
Note 14: Income & expenditure in relation to investment properties	(12,862)	13,806	(4,773)	(9,033)
Disposal charge for the derecognition of schools that transfer to Academy status	14,055	25,201	0	25,201
<b>Total</b>	<b>59,161</b>	<b>186,424</b>	<b>(89,191)</b>	<b>97,233</b>

Notes to the Financial Statements

**Note 12: Council tax and general grants & contributions**

<b>Council tax and general grants &amp; contributions</b>	<b>2021/22 £000</b>	<b>2022/23 £000</b>
<b>Local taxation:</b>		
Council tax income	(786,963)	(844,052)
Business rate income	(130,703)	(107,471)
<b>Grants and contributions:</b>	<b>(74,560)</b>	<b>(97,841)</b>
Non-ring-fenced government grants	(154,692)	(100,589)
Capital grants and contributions	<u>(1,146,919)</u>	<u>(1,149,953)</u>

**Note 13: Property, plant & equipment**

<b>Movement on balances</b>	<b>31 March 2022 £000</b>	<b>31 March 2023 £000</b>
Infrastructure Assets	470,898	500,999
Other PPE Assets	1,468,433	1,583,657
<b>Total</b>	<u><b>1,939,331</b></u>	<u><b>2,084,656</b></u>



## Notes to the Financial Statements

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
<b>Balance at 1 April 2022</b>	<b>1,395,042</b>	<b>126,424</b>	<b>7,704</b>	<b>35,344</b>	<b>21,085</b>	<b>1,585,600</b>
Additions*	49,324	19,232	698	785	21,535	91,574
Donations	-	-	-	-	-	-
Revaluation increases recognised in the Revaluation Reserve	120,218	0	0	17,933	0	138,151
Revaluation decreases recognised in the Revaluation Reserve	(18,728)	0	0	(5,494)	0	(24,222)
Revaluation increases (reversal of previous losses) recognised in the deficit on the CIES	5,402	0	0	1,609	0	7,011
Revaluation decreases recognised in the deficit on the CIES	(11,992)	0	0	(4,746)	0	(16,738)
Transfers between asset classes	8,768	2,258	0	(11,443)	(4,898)	(5,315)
Derecognition and disposals	(6,716)	(931)	0	0	32	(7,615)
Derecognition - academies	(27,430)	0	0	0	0	(27,430)
<b>At 31 March 2023</b>	<b>1,513,888</b>	<b>146,983</b>	<b>8,402</b>	<b>33,988</b>	<b>37,754</b>	<b>1,741,015</b>
<b>Accumulated Depreciation and Impairment</b>	-	-	-	-	-	-
<b>At 1 April 2022</b>	<b>(65,115)</b>	<b>(52,045)</b>	<b>0</b>	<b>(6)</b>	<b>0</b>	<b>(117,166)</b>
Depreciation charge	(45,345)	(9,911)	0	(29)	0	(55,285)
Impairment	0	0	0	0	0	0
Depreciation written out to the Revaluation Reserve	12,905	0	0	4	0	12,909
Revaluation losses recognised in the CIES	0	0	0	0	0	0
Revaluation increases (reversal of previous losses) recognised in the deficit on the CIES	0	0	0	0	0	0
Transfers between asset classes	0	0	0	0	0	0

## Notes to the Financial Statements

	Land and Buildings £000	Vehicle, Plant and Equipment £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property Plant & Equipment £000
<b>Cost</b>						
Derecognition - disposals	(462)	449	0	0	(32)	(45)
Derecognition - academies	2,229	0	0	0	0	2,229
At 31 March 2023	<b>(95,788)</b>	<b>(61,507)</b>	<b>0</b>	<b>(31)</b>	<b>(32)</b>	<b>(157,358)</b>
<b>Net Book Value</b>						
At 31 March 2022	<b>1,329,927</b>	<b>74,379</b>	<b>7,704</b>	<b>35,338</b>	<b>21,085</b>	<b>1,468,433</b>
At 31 March 2023	<b>1,418,100</b>	<b>85,476</b>	<b>8,402</b>	<b>33,958</b>	<b>37,722</b>	<b>1,583,657</b>
<b>Cost</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance at 1 April 2021</b>	<b>1,358,322</b>	<b>82,230</b>	<b>7,552</b>	<b>34,660</b>	<b>46,029</b>	<b>1,528,793</b>
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
<b>Accumulated Depreciation and Impairment</b>						
at 1 April 2021	<b>(50,743)</b>	<b>(45,433)</b>		<b>(4)</b>		<b>(96,180)</b>
Depreciation charge	(36,355)	(7,219)	0	(2)	0	(43,576)
Impairment	0	0	0	0	0	0

## Notes to the Financial Statements

	Land and Buildings £000	Vehicle, Plant and Equipment £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property Plant & Equipment £000
<b>Cost</b>						
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
<b>At 31 March 2022</b>	<b>(65,115)</b>	<b>(52,045)</b>	<b>0</b>	<b>(6)</b>	<b>0</b>	<b>(117,166)</b>
<b>Net Book Value</b>						
at 31 March 2021	1,307,579	36,797	7,552	34,656	46,029	1,432,613
<b>at 31 March 2022</b>	<b>1,329,927</b>	<b>74,379</b>	<b>7,704</b>	<b>35,338</b>	<b>21,085</b>	<b>1,468,433</b>

\* These amounts include assets acquired under PFI schemes (see note 36), but excludes £30m revenue expenditure funded from capital under statute (£18.3m in 2021/22).

## INFRASTRUCTURE ASSETS

	2021/22 £000	2022/23 £000
<b>Movement on Balances</b>		
Net Book Value (Modified Historical Cost) at 1 April:	432,384	470,898
Additions	83,263	79,708
Transfers in	2,118	2,238
Depreciation	(46,867)	(51,846)
Impairment	0	0
Other Movements in Cost	38,514	30,100
<b>Net Book Value at 31 March</b>	<b>470,898</b>	<b>500,999</b>

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

## Notes to the Financial Statements

reported practices and resultant information deficits could mean that the gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the Financial statements to take economic or other decisions relating to infrastructure assets.

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

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### Revaluations

The council carries out a rolling programme that ensures that all Land and Buildings, except a small proportion of the portfolio for school's tied accommodation, required to be measured at current value is revalued at least every five years. Valuations of land and buildings were carried out by Montagu Evans, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors, and are the best estimate of the assets' values at 31 March 2023.

	<b>Land and Buildings</b>	<b>Surplus</b>
<b>Revaluations</b>	<b>£000</b>	<b>Assets £000</b>
Carried at current value not valued in the last 5 years	36,854	656
Carried at current value. Last revalued as at:	216,304	40
31-Mar-19	214,816	0
31-Mar-21	421,662	0
31-Mar-22	228,686	11,063
31-Mar-23	299,778	22,199
<b>Total</b>	<b>1,418,100</b>	<b>33,958</b>

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### Revaluation changes

During 2022/23 the Council has recognised a net revaluation gain of £117.1m (£46.7m during 2021/22) in total across all PPE classes. The result was a revaluation loss of £9.7m (£16.3m in 2021/22) charged to the Comprehensive Income and Expenditure Statement, and a £126.8m gain (£63.0m in 2021/22) 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.

## Notes to the Financial Statements

The fair value hierarchy of surplus assets at 31 March are as follows:	Level 1: Quoted markets in active markets for identical assets £000	Level 2: Other significant observable inputs £000	Level 3: Significant unobservable inputs £000	Total £000
Recurring fair value measurements using:	-	-	-	-
Surplus assets (NBV) at 31 March 2023	0	27,323	6,635	<b>33,958</b>
Surplus assets (NBV) at 31 March 2022	0	35,338	0	<b>35,338</b>

The surplus assets are measured at Level 2 in the fair value hierarchy where the measurement technique uses inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly, and are measured at Level 3 where there are significant unobservable inputs for the asset or liability. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability.

## Notes to the Financial Statements

### Capital commitments

At 31 March 2023, 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 £42.94m. Similar commitments at 31 March 2022 were £67.97m.

Description/Project	Total at 31/03/2023 £000	Total at 31/03/2022 £000
Schools Basic Need/SEND	12.64	41.00
LAC Schemes	0.00	4.65
Schools Maintenance	1.72	2.29
Decarbonisation Schemes	2.93	0.00
DB&I Project - Unit 4	1.16	5.40
Unicorn WAN/WiFi Services	3.50	0.00
Corporate Capital Maintenance	2.69	2.33
Purchase of New Fire Appliances	2.16	1.80
ASC Community Equipment Service	0.00	10.50
Highway/Structural Maintenance Schemes	9.95	0.00
Traffic Signals	2.88	0.00
Street Lighting LED	2.03	0.00
Bridge Strengthening	1.28	0.00
<b>Total</b>	<b>42.94</b>	<b>67.97</b>

### 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.

Income & expenditure in relation to investment properties	2021/22 £000	2022/23 £000
Rental income from investment property	7,361	4,773
Direct operating expenses arising from investment property	(2,879)	(1,415)
<b>Net gain/loss</b>	<b>4,482</b>	<b>3,358</b>
Loss on sale of investment property	0	3,935
Net gain/(loss) on fair value adjustments	8,380	(12,391)
<b>Total</b>	<b>12,862</b>	<b>(5,098)</b>

## Notes to the Financial Statements

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

<b>Movement in the fair value of investment properties</b>	<b>2021/2022 £000</b>	<b>2022/2023 £000</b>	Offices £000	Retail £000	Other £000	Fair Value Hierarchy
Balance at start of the year	<b>122,312</b>	<b>131,240</b>	127,050	2,800	1,390	Level 3
Additions	<b>380</b>	<b>9</b>	9			
Reclassification	<b>(247)</b>	<b>27</b>	27			
Disposals	<b>0</b>	<b>(27,500)</b>	(27,500)			
Net gain/(loss) from fair value adjustments*	<b>8,795</b>	<b>(12,391)</b>	(11,701)	(790)	100	
<b>Balance at end of the year</b>	<b>131,240</b>	<b>91,385</b>	87,885	2,010	1,490	Level 3

\*The valuation of Investment Properties is based on prevailing market conditions and existing lease agreements as at 31 March 2023.

The fair value of the Council's investment properties has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions are such that similar properties are actively purchased and sold and the level of unobservable inputs are significant, leading to the properties being categorised at Level 3 in the fair value hierarchy. Surrey County Council have used a valuer to determine the value of the properties who have used their professional judgement. The fair value calculation takes into account the prevailing market conditions and lease agreements in place as at 31 March 2023. The council's valuers use valuation techniques to determine the fair value of investment property. This involves developing estimates and assumptions consistent with how market participants would price the property. The valuers base their assumptions on observable data as far as possible, but this is not always available. In that case, the valuers use the best information available.

The revaluation gain or loss does not impact upon the general fund of the Council – there are no adverse implications for the taxpayer of any loss since financial adjustments of this nature are excluded from the calculation of the revenue requirements of the Council by statute. Any gain or loss is unrealised and it would only become a realised gain or loss if the Council decided to sell the asset at the time of the revaluation and at the revaluation value. The Investment Board, on behalf of the Council, is however able to determine whether to continue to hold the asset or whether to sell at a time of its choosing and as this is the case it is unlikely that there will be a realised loss since assets will generally only be sold when it is beneficial to do so. Significant changes in any of the unobservable inputs in relation to rent growth, vacancy levels or discount rates would result in a significantly lower or higher fair value measurement for the investment properties and surplus assets.

Details of the authority's investment properties and information about the fair value hierarchy at 31 March 2023 and 2022 are as follows:

## Notes to the Financial Statements

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

	Level 1: Quoted markets in active markets for identical assets	Level 2: Other significant observable inputs	Level 3: Significant unobservable inputs	Fair value as at 31 March 2022 £000
<b>Recurring fair value measurements using:</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Residential/market rental properties	-	-	1,285	<b>1,285</b>
Office units	-	-	126,600	<b>126,600</b>
Commercial units	-	-	3,355	<b>3,355</b>
<b>Total</b>	-	-	<b>131,240</b>	<b>131,240</b>

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

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

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

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



## Notes to the Financial Statements

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

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### Foundation

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

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### 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.

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### 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.

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### Academies

During 2022/23, 13 schools had transferred to academy status. 3 were Community Schools, 7 were Aided Schools, 2 were Foundation Schools and 1 was Voluntary Controlled. Academy schools are owned and managed completely independently of the local authority and therefore the non-current assets have been excluded from this balance sheet.

## Note 16: Financial instruments

### Categories of Financial Instruments

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

<b>Financial Assets</b>	<b>31/03/2022 £000</b>	<b>31/03/2023 £000</b>
<b>Fair value through profit or loss</b>		
Long-term investments		
Cash	140,700	96,500
<b>Total: Fair value through profit or loss</b>	<b>140,700</b>	<b>96,500</b>
<b>Amortised cost</b>		
Long-term investments	97,036	97,036
Long-term debtors	242,176	241,740
Short-term investments	0	0
Short-term debtors	128,997	167,366
Cash	31,244	10,469
<b>Total: Amortised cost</b>	<b>499,453</b>	<b>516,611</b>
<b>Total financial assets</b>	<b>640,153</b>	<b>613,111</b>
<b>Non-financial assets</b>	<b>2,164,762</b>	<b>2,291,556</b>
<b>Total</b>	<b>2,804,915</b>	<b>2,904,667</b>

This note has been restated for 2021/22 as short term debtors originally included HMRC debtors totalling £12,890k. They have now been correctly reclassified as Non Financial Assets. In addition Non-Financial Assets totalling £73,220k have been correctly reclassified in this note as Short Term Debtors in the table.

<b>Financial Liabilities</b>	<b>31 March 2022 £000</b>	<b>31 March 2023 £000</b>
<b>Amortised cost</b>		
Long-term borrowings	487,281	480,420
Short-term borrowings	237,996	171,152
Short-term creditors	133,133	151,341
PFI, lease	91,580	75,349
Other 3rd party balances	6,149	6,197
<b>Total financial liabilities</b>	<b>956,139</b>	<b>884,459</b>
<b>Non-financial liabilities</b>	<b>2,037,583</b>	<b>871,272</b>
<b>Total</b>	<b>2,993,772</b>	<b>1,755,731</b>

## Notes to the Financial Statements

### Categories of Financial Assets and Financial Liabilities

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

	Non Current as at 31 March 2022 £000	Current as at 31 March 2022 £000	Total as at 31 March 2022 £000	Non Current as at 31 March 2023 £000	Current as at 31 March 2023 £000	Total as at 31 March 2023 £000
<b>Categories of Financial Assets and Financial Liabilities</b>						
<b>Financial Assets:</b>	-	-	-	-	-	-
Measured at amortised cost	339,212	160,241	499,453	338,776	177,835	516,611
Measured at fair value through profit or loss	0	140,700	140,700	0	96,500	96,500
<b>Total - Financial Assets</b>	<b>339,212</b>	<b>300,941</b>	<b>640,153</b>	<b>338,776</b>	<b>274,335</b>	<b>613,111</b>
<b>Financial Liabilities:</b>						
Measured at amortised cost	487,281	468,858	956,139	480,420	404,039	884,459
<b>Total - Financial Liabilities</b>	<b>487,281</b>	<b>468,858</b>	<b>956,139</b>	<b>480,420</b>	<b>404,039</b>	<b>884,459</b>

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.

## Notes to the Financial Statements

### Income, Expense, Gains and Losses

Income, Expense, Gains and Losses	Surplus or Deficit on the Provision of Services 2021/22 £000	Other Comprehensive Income and Expenditure 2021/22 £000	Surplus or Deficit on the Provision of Services 2022/23 £000	Other Comprehensive Income and Expenditure 2022/23 £000
<b>Net gains/(losses) on:</b>				
Financial assets measured at fair value through profit or loss - fair value	0		0	
Financial assets measured at fair value through profit or loss - dividend	0		0	
<b>Total net gains/(losses)</b>	<b>0</b>		<b>0</b>	
<b>Interest revenue:</b>				
Financial assets measured at amortised cost	(14,784)		(18,015)	
<b>Interest expense:</b>	-		-	
Financial assets measured at amortised cost	78,009		29,372	

### 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.

## Notes to the Financial Statements

### 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 31/03/22 £000	As at 31/03/23 £000
<b>Fair value through profit or loss</b>				
Cash (Money Market Funds)	Level 1	Unadjusted quoted prices in active markets for identical shares	140,700	96,500

### 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;

## Notes to the Financial Statements

- 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:

<b>Financial Liabilities</b>	<b>Carrying amount as at 31 March 2022 £000</b>	<b>Fair value as at 31 March 2022 £000</b>	<b>Carrying amount as at 31 March 2023 £000</b>	<b>Fair value as at 31 March 2023 £000</b>
Long-term borrowings - PWLB	462,017	565,414	456,182	382,446
Long-term borrowings - Other	25,265	31,692	24,237	21,080
Short-term borrowings	237,996	237,996	171,152	171,152
Short-term creditors	133,133	133,133	151,341	151,341
PFI, Lease	91,580	119,708	75,349	88,013
Other 3rd Party Balances	6,149	6,149	6,197	6,197
<b>Total</b>	<b>956,140</b>	<b>1,094,092</b>	<b>884,459</b>	<b>820,228</b>

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 2023, arising from a commitment to pay interest to lenders above current market rates.

<b>Financial Assets</b>	<b>Carrying amount as at 31 March 2022 £000</b>	<b>Fair value as at 31 March 2022 £000</b>	<b>Carrying amount as at 31 March 2023 £000</b>	<b>Fair value as at 31 March 2023 £000</b>
Long-term investments	97,036	97,036	97,036	97,036
Long-term debtors	242,176	299,096	241,740	248,079
Short-term debtors	128,997	128,997	167,366	167,366
Cash	31,244	31,244	10,469	10,469
<b>Total</b>	<b>499,453</b>	<b>556,373</b>	<b>516,611</b>	<b>522,949</b>

## Notes to the Financial Statements

This note has been restated for 2021/22 as short term debtors originally included HMRC debtors totalling £12,890k. They have been reclassified as Non Financial Assets. In addition Non-Financial Assets totalling £73,220k have been correctly reclassified in this note as Short Term Debtors in the table.

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

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

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1) as at 31 March 2023 £000	Other significant observable inputs (Level 2) as at 31 March 2023 £000	Significant unobservable inputs (Level 3) as at 31 March 2023 £000	Total £000
<b>Financial Liabilities:</b>				
Long-term borrowings		403,526		403,526
Short-term borrowings		171,152		171,152
Short-term creditors		151,341		151,341
PFI, Lease			88,013	88,013
Other 3rd party balances		6,197		6,197
<b>Total Financial Liabilities</b>		<b>732,216</b>	<b>88,013</b>	<b>820,228</b>
<b>Financial Assets:</b>				
Long-term debtors		248,079		248,079
Long-term investments			97,036	97,036
Short-term debtors		167,366		167,366
Cash		10,469		10,469
<b>Total Financial Assets</b>		<b>425,914</b>	<b>97,036</b>	<b>522,949</b>

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.

## Notes to the Financial Statements

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 2023 of 4.12% 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 2023 of 3.64% for loans payable based on new lending rates for equivalent.

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## Nature and extent of risks arising from Financial Instruments

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

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

### Overall procedures for managing risk

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

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

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



## Notes to the Financial Statements

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 2022 and is available on the Council website.

The key issues within the strategy were:

- The Authorised Limit for 2022/23 was set at £1,902m. This is the maximum limit of external borrowings or other long-term liabilities;
- The Operational Boundary was set at £1,756m. 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

## Notes to the Financial Statements

- sovereign ratings to select counterparties from only the most creditworthy countries

The full Investment Strategy for 2022/23 was approved by the Audit and Governance Committee on 25 January 2022 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 2023 that this was likely to crystallise.

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### Amounts Arising from Expected Credit Losses (ECL)

The changes in loss allowance during 2022/23 are as follows:

<b>Changes in loss allowance</b>	<b>12 Month ECL £000</b>	<b>Lifetime ECL £000</b>	<b>Lifetime ECL - Simplified Approach £000</b>	<b>Total £000</b>
Opening balance 1 April 2022	1,603	-	9,484	11,087
Change in credit loss	-	-	(546)	(546)
Closing balance 31 March 2023	1,603	-	8,939	10,541

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

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### Collateral

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

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### 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

## **Notes to the Financial Statements**

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.

## Notes to the Financial Statements

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

Time period	31 March 2022 £000	31 March 2023 £000
Less than one year	300,941	271,335
Between one and five years		
More than five years	339,212	338,776
<b>Total</b>	<b>640,153</b>	<b>613,111</b>

### 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):

Time period	Approved minimum limit %	Approved maximum limit %	31 March 2022 %	31 March 2023 %
Less than one year	0	50	39	26
Between one and two years	0	50	0	0
Between two and five years	0	50	1	2
Between five and ten years	0	75	8	13
More than ten years	25	100	52	59

## Notes to the Financial Statements

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### 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.

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### Price risk

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

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### 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.

## Notes to the Financial Statements

### Note 17: Short term debtors

Short-term debtors	31/03/2022 £000	31/03/2023 £000
HMRC Debtors	12,890	11,165
Accounts Receivable Debtors	46,410	51,279
Collection Fund Debtors	29,623	48,874
Adult Social Care Debtors	22,749	25,403
Payments in Advance	18,101	27,566
Other Debtors	59,88	90,684
<b>Total</b>	<b>189,611</b>	<b>254,971</b>

### Note 18: Cash and cash equivalents

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

Cash and cash equivalents	31/03/2022 £000	31/03/2023 £000
General account	31,244	10,469
Money market funds	140,700	96,500
<b>Total cash and cash equivalents</b>	<b>171,944</b>	<b>106,969</b>

### Note 19: Assets held for sale

Assets held for sale	Assets held for sale (current) 31/03/2022 £000	Assets held for sale (current) 31/03/2023 £000
<b>Balance outstanding at 1 April 2022</b>		<b>27,714</b>
Assets newly classified as held for sale:	<b>27,714</b>	
Property, plant and equipment		<b>3,050</b>
Assets de-classified as held for sale		
Revaluation gain		<b>161</b>
Revaluation loss		<b>(5,709)</b>
Assets sold		<b>(2,930)</b>
<b>Balance outstanding at 31 March</b>	<b>27,714</b>	<b>22,286</b>

## Notes to the Financial Statements

### Note 20: Creditors

Creditors	31/03/2022 £000	31/03/2023 £000
HMRC Creditors	(21,500)	(23,070)
Accounts Payable Creditors	(29,220)	(20,930)
Collection Fund Creditors	(30,076)	(29,936)
Receipts in Advance	(63,681)	(76,734)
Other Creditors	(115,904)	(142,640)
<b>Total</b>	<b>(260,381)</b>	<b>(293,310)</b>

### Note 21: Provisions

Provisions	Business Rates Appeals £000	Insurance Liabilities £000	Fire fighters pensions fund £000	Redundancy £000	Other provisions £000	Total provisions £000
<b>Balance at 1 April 2022</b>	6,674	6,348	0	0	3,480	<b>16,502</b>
Additional provisions made in 2022/23		2,156				<b>2,156</b>
Amounts used in 2022/23	(1,417)	(2,157)			(829)	<b>(4,403)</b>
Unused amounts reversed in 2022/23						
<b>Balance at 31 March 2023</b>	5,257	6,347	0	0	2,651	<b>14,255</b>
Current provisions					2,651	<b>2,651</b>
Non-current provisions	5,257	6,347	0	<b>0</b>		<b>11,604</b>
<b>Total</b>	<b>5,257</b>	<b>6,347</b>	<b>0</b>	<b>0</b>	<b>2,651</b>	<b>14,255</b>

## Notes to the Financial Statements

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

### 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 2023. The council's provision for the business rates appeals is based on our share of the provision calculated by each of the 11 borough and district councils in Surrey.

### Insurance

The provision for insurance liabilities represents the assessed future claims on the county council's self-insurance fund. The fund was established to enable the county council to move towards self-insurance and is now considered to fully cover service risks. The fund and its liabilities are subject to review by the Council's actuaries and the last review took place during 2022. The council has an earmarked reserve to cover any unknown future liabilities.

### Other provisions

A number of other smaller provisions have been identified.



**Notes to the Financial Statements**

**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).

<b>Usable Reserves</b>	<b>Balance at 1 April 2022 £000</b>	<b>Transfers in £000</b>	<b>Transfers out £000</b>	<b>Balance at 31 March 2023 £000</b>
<b>Revenue</b>				
<b>Total Revenue Reserves</b>	461,260	351,540	(340,005)	472,795
<b>Capital</b>				
Capital Grant Unapplied	189,184	124,642	(91,197)	222,629
Capital Receipts Reserve	782	60,495	(6,807)	54,470
<b>Total Capital Reserves</b>	189,966	185,137	(98,004)	277,099
<b>Total Usable Reserves</b>	651,226	536,677	(438,008)	749,895

**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.

<b>Unusable Reserves</b>	<b>31/03/2022 £000</b>	<b>31/03/2022 £000</b>
Revaluation Reserve	(634,428)	(719,455)
Capital Adjustment Account	(473,072)	(438,961)
Deferred Capital Receiptes	(18,747)	0
Financial Instruments Adjustment Account	18	18
Pensions Reserve	1,887,167	700,599
Collection Fund Adjustment Account	4,467	(16,102)
DSG Adjustment Account	62,635	62,635
Accumulated Absences Account	11,991	12,229
<b>Total</b>	<b>840,031</b>	<b>(399,037)</b>

## Notes to the Financial Statements

### 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.

	31/03/2022	31/03/2023
	£000	£000
<b>Revaluation Reserve</b>		
<b>Balance at 1 April 2022</b>	<b>(588,845)</b>	<b>(634,428)</b>
Upward revaluation of assets	(95,033)	(124,391)
Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the Provision of Services	-	-
Asset reclassification	-	-
<b>Surplus or deficit on revaluation of non-current assets not posted to the surplus or deficit on the Provision of Services</b>	<b>(95,033)</b>	<b>(124,391)</b>
Difference between fair value depreciation and historical cost depreciation	10,852	22,167
Accumulated gains on assets sold or scrapped	38,598	17,197
<b>Amount written off to the Capital Adjustment Account</b>	<b>49,450</b>	<b>39,364</b>
<b>Balance at 31 March 2023</b>	<b>(634,428)</b>	<b>(719,455)</b>

### 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.

## Notes to the Financial Statements

### Capital Adjustment Account

	31/03/2022 £000	31/03/2023 £000
<b>Balance at 1 April 2022</b>	<b>(400,117)</b>	<b>(473,072)</b>
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>	-	-
Charges for depreciation and impairment of non-current assets	90,456	107,260
Impairment or fair value adjustments under IFRS 9	-	-
Revaluation losses/(gains) on Property, Plant and Equipment	(620)	12,696
Other movements in valuation of Property, Plant and Equipment	-	-
Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement	(8,795)	12,311
Disposal of financial assets	0	0
Amortisation of intangible assets	1,929	1,225
Revenue expenditure funded from capital under statute	18,299	29,995
Deferred income	(1,123)	(1,123)
Donated assets credited to the Comprehensive Income and Expenditure Statement	0	0
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	62,855
<b>Sub-total</b>	<b>150,045</b>	<b>225,219</b>
Adjusting amounts written out of the Revaluation Reserve	(49,920)	(39,364)
Net written out amount of the cost of non-current assets consumed in the year	100,125	185,855
<b>Capital financing applied in the year:</b>		
Use of the Capital Receipts Reserve to finance capital expenditure	(62,000)	(25,554)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	0	0
Application of grants to capital financing from the Capital Grants Unapplied Account	(79,214)	(91,197)
Statutory provision for the financing of capital investment charged against the General Fund	(26,313)	(29,642)
Capital expenditure charged against the General Fund	(5,553)	(5,790)

## Notes to the Financial Statements

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### Capital Adjustment Account

	31/03/2022	31/03/2023
	£000	£000
Other movements - repayment of capital loans	-	436
<b>Balance at 31 March 2023</b>	<b>(473,072)</b>	<b>(438,961)</b>

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### 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 2023 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 2022/23.

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### Deferred Capital Receipts Account

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

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### 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.

## Notes to the Financial Statements

	31/03/22 £000	31/03/23 £000
<b>Pensions Reserve</b>		
<b>Balance at 1 April 2022</b>	<b>2,170,813</b>	<b>1,887,167</b>
Actuarial (gains)/losses on pensions assets and liabilities	<b>(449,566)</b>	<b>(1,315,634)</b>
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Account	<b>220,851</b>	<b>219,334</b>
Employer's pensions contributions and direct payments to pensioners payable in the year	<b>(82,400)</b>	<b>(90,268)</b>
	<b>1,887,167</b>	<b>700,599</b>
<b>Balance at 31 March 2023</b>		

## Notes to the Financial Statements

### 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.

### Collection Fund Adjustment Account

	31/03/2022	31/03/2023
	£000	£000
<b>Balance at 1 April 2022</b>	<b>42,557</b>	<b>4,467</b>
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	<b>(38,090)</b>	<b>(20,570)</b>
<b>Balance at 31 March 2023</b>	<b>4,467</b>	<b>(16,103)</b>

### 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 deficit on a school budget relating to its accounts for a financial year beginning on 1<sup>st</sup> April 2021, 1<sup>st</sup> April 2022 or 1<sup>st</sup> April 2023. The deficit must not be charged to a revenue account. This account records any such deficits thereby separating school budget deficits from Surrey County Council general fund for a period of 3 financial years.

	31/03/2022	31/03/2023
	£000	£000
<b>Dedicated Schools Grant Adjustment Account</b>		
<b>Balance at 1 April 2022</b>	<b>83,106</b>	<b>62,635</b>
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	<b>(20,471)</b>	<b>0</b>
<b>Balance at 31 March 2023</b>	<b>62,635</b>	<b>62,635</b>

### 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.

## Notes to the Financial Statements

	31/03/2022	31/03/2023
<b>Accumulated Absenses Account</b>	<b>£000</b>	<b>£000</b>
<b>Balance at 1 April 2022</b>	<b>11,284</b>	<b>11,991</b>
Settlement or cancellation of accrual made at the end of the preceding year	(11,284)	(11,991)
Amounts accrued at the end of the current year	11,991	12,229
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	<b>707</b>	<b>238</b>
<b>Balance at 31 March 2023</b>	<b>11,991</b>	<b>12,229</b>

### Note 24: Pooled budgets

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

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#### Better Care Fund

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

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 2022/23. The council recognises its share of income, expenditure, assets and liabilities in its accounts.

**Notes to the Financial Statements**

**2022/23**

<b>Funding provided to the pooled budget</b>	<b>North West Surrey LICG £000</b>	<b>Surrey Downs LICG £000</b>	<b>Guildford &amp; Waverley LICG £000</b>	<b>East Surrey LICG £000</b>	<b>Surrey Heath LICG £000</b>	<b>North East Hampshire &amp; Farnham LICG £000</b>	<b>Windsor, Ascot &amp; Maidenhead LICG £000</b>	<b>Total £000</b>
Surrey County Council	(147)	(118)	(86)	(76)	(42)	(18)	(6)	(493)
North West Surrey CCG	(25,246)	-	-	-	-	-	-	(25,246)
Surrey Downs CCG	-	(21,118)	-	-	-	-	-	(21,118)
Guildford & Waverley CCG	-	-	(14,708)	-	-	-	-	(14,708)
East Surrey CCG	-	-	-	(13,176)	-	-	-	(13,176)
Surrey Heath CCG	-	-	-	-	(6,839)	-	-	(6,389)
North East Hampshire & Farnham CCG	-	-	-	-	-	(3,234)	-	(3,234)
East Berkshire CCG	-	-	-	-	-	-	(871)	(871)
<b>Sub-total</b>	(25,393)	(21,236)	(14,794)	(13,252)	(6,881)	(3,252)	(877)	(85,685)
Expenditure met from the pooled budget	29,146	24,750	18,100	16,306	7,095	3,178	825	99,400
<b>(Surplus) or deficit</b>	3,753	3,514	3,306	2,054	214	(74)	(52)	(13,715)
<b>SSC Share</b>	1,876	1,757	1,653	1,527	107	(37)	(26)	6,857



## Notes to the Financial Statements

**2021/22**

<b>Funding provided to the pooled budget</b>	<b>North West Surrey LICG £000</b>	<b>Surrey Downs LICG £000</b>	<b>Guildford &amp; Waverley LICG £000</b>	<b>East Surrey LICG £000</b>	<b>Surrey Heath LICG £000</b>	<b>North East Hampshire &amp; Farnham LICG £000</b>	<b>Windsor, Ascot &amp; Maidenhead LICG £000</b>	<b>Total £000</b>
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)
<b>Sub-total</b>	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
<b>(Surplus) or deficit</b>	(4,750)	(4,473)	(4,292)	(4,072)	(1,057)	(411)	(181)	(19,236)
<b>SSC Share</b>	(2,375)	(2,237)	(2,146)	(2,036)	(528)	(205)	(90)	(9,617)

### 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.

## Notes to the Financial Statements

The Orbis Partnership in 2022/23 incorporated the following services: IT&Digital, Procurement, Internal Audit, Finance (Insurance, Treasury and Tax) and Energy. Business operations (Shared Services) disaggregated as at 31/3/2022.

During 2022/23 Surrey, East Sussex and Brighton & Hove Councils operated a joint operating budget to fund business services.

<b>Funding provided to the pooled budget</b>	<b>2021/22 £000</b>	<b>2022/23 £000</b>
Surrey County Council	(15,939)	(6,166)
East Sussex County Council	(10,606)	(3,471)
Brighton and Hove City Council	(8,641)	(2,733)
<b>Sub-total</b>	<b>(35,187)</b>	<b>(12,370)</b>
Expenditure met from the pooled budget	35,187	12,370
Net surplus on the pooled budget	0	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

<b>Member Allowances &amp; Expenses</b>	<b>2021/22 £00</b>	<b>2022/23 £000</b>
Member Allowances*	1,613	1,663
Member Expenses	11	2
<b>Total</b>	<b>1,624</b>	<b>1,665</b>

\*Includes the employer’s contributions for national insurance £115k (2021/22, £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,

## Notes to the Financial Statements

chief officer of a fire brigade, the section 151 officer and any other individuals who are directly accountable to the Council (committee or subcommittee) and earn £50,000 or more.

Remuneration includes salary/wages, bonuses, expenses, allowances and benefits (chargeable to United Kingdom income tax), compensation for loss of office and employer pension contributions paid in 2022/23. Compensation for loss of office is included even though this is excluded from the general definition of remuneration. Costs for interim senior officers are also included in the salary column, these include the fees payable to employment agencies

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

Post	Year	Salary	Total remuneration excluding pension contributions	Pension contributions	Total remuneration including pension contributions
		£	£	£	£
Chief Executive – Joanna Killian	22/23	234,600	234,600		234,600
	21/22	234,600	234,600		234,600
Executive Director for Partnerships, Prosperity and Growth – Michael Coughlin	22/23	178,500	178,500	26,418	204,918
	21/22	178,500	178,500	26,418	204,918
Executive Director for Children, Families Lifelong Learning and Culture – Rachael Wardell	22/23	170,000	170,000	25,160	195,160
	21/22	170,000	170,000	25,160	195,160
Executive Director for Public Service Reform – Rachel Crossley	22/23	137,287	137,287	20,318	157,605
	21/22	137,287	137,287	20,318	157,605
Executive Director, Adults Social Care (1) – Liz Bruce	22/23	190,551	190,551		190,551
	21/22	192,280	192,280		192,280
Executive Director for Environment, Transport and Infrastructure – Katherine Stewart	22/23	152,793	152,793	20,729	173,522
	21/22	152,793	152,793		152,793
Deputy Chief Executive and Executive Director of Resources – Leigh Whitehouse	22/23	198,135	198,135		198,135
	21/22	194,204	194,204		194,204

## Notes to the Financial Statements

Post	Year	Salary	Total remuneration excluding pension contributions	Pension contributions	Total remuneration including pension contributions
Executive Director for Customer and Communities – Marie Snelling (2)	22/23	143,000	143,000	21,164	164,163
	21/22	141,096	141,096	20,882	161,978
Director for Community Protection and Emergencies (3)	21/22	134,520	134,520		134,520
Chief Fire Officer – Dan Quin (2)	22/23	130,900	130,900	38,218	169,118
Strategic Director Communications – Andrea Newman (2)	22/23	125,000	125,000	18,000	143,500
<b>Total 2022/23</b>		<b>1,660,766</b>	<b>1,660,766</b>	<b>170,507</b>	<b>1,831,273</b>
<b>Total 2021/22</b>		<b>1,535,279</b>	<b>1,535,279</b>	<b>92,778</b>	<b>1,628,058</b>

### Notes to Senior Officer’s Remuneration table:

1. The Executive Director of Adult Social Care post was filled on a permanent basis during 2022/23. The amount shown in the salary column for 2021/22 included adjustment for agency costs.
2. There is no 21/22 comparator for Executive Director for Customer and Communities, Adult Social Care, Chief Fire Officer and Strategic Director as the post holders were not in post during the 21/22 financial year
3. There is no comparative post for 2022/23

Notes to the Financial Statements

**Note 27: Officers' remuneration**

Remuneration £	Non School	Schools	Total	Non	Schools	Total
	Numbers 2021/22	Numbers 2021/22	Numbers 2021/22	School Numbers 2022/23	Numbers 2022/23	Numbers 2022/23
50000 - 54999	302	99	401	426	138	564
55000 - 59999	120	74	194	163	86	249
60000 - 64999	123	39	162	136	53	189
65000 - 69999	88	39	127	129	42	171
70000 - 74999	36	34	70	63	39	102
75000 - 79999	21	1,917	40	27	30	57
80000 - 84999	41	4	58	47	17	64
85000 - 89999	11	5	15	15	12	27
90000 - 94999	15	3	20	16	2	18
95000 - 99999	4	1	7	9	6	15
100000 - 104999	1	2	2	1	1	2
105000 - 109999	3	2	5	3		3
110000 - 114999	5	1	7	7	1	8
115000 - 119999	2		3	2	1	3
120000 - 124999	1		1	1	1	2
125000 - 129999	2		2	3	1	4
130000 - 134999	4		4	2		2
135000 - 139999	1		1	1		1
140000 - 144999	1		1	1		1
145000 - 149999						
150000 - 154999	1		1	1		1
155000 - 159999						
160000 - 164999	1		1	1		1
165000 - 169999				1		1
170000 - 174999	1		1			

**Notes to the Financial Statements**

Remuneration £	Non School	Schools	Total	Non	Schools	Total
	Numbers 2021/22	Numbers 2021/22	Numbers 2021/22	School Numbers 2022/23	Numbers 2022/23	Numbers 2022/23
175000 -						
179999	1		1	1		1
180000 -						
184999						
185000 -						
189999						
190000 -						
194999	2		2	1		1
195000 -						
199999				1		1
200000 -						
204999						
205000 -						
209999				1		1
230000 -						
234999	1		1	1		1
235000 -						
239999						
	<b>789</b>	<b>339</b>	<b>1,127</b>	<b>1,059</b>	<b>430</b>	<b>1,489</b>

In 2022/23, as well as incremental pay increase for applicable employees, a pay award was agreed that increased by set amounts for employees on the lower end of the pay scales. This corresponds to the increase in numbers to the employees with remuneration above £50k with a weighting to the increases at the lower end of the £50k to £240k scale.

## Notes to the Financial Statements

### 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:

Exit package cost band including special payments £	Number of compulsory redundancies 2021/22	Number of other departures agreed 2021/22	Total number of exit packages by cost band 2021/22	Total cost of exit packages in each band 2021/22 £000	Number of compulsory redundancies 2022/23	Number of other departures agreed 2022/23	Total number of exit packages by cost band 2022/23	Total cost of exit packages in each band* 2022/23 £000
0 - 20,000	41	80	121	816	20	146	166	934
20,001 - 40,000	9	6	15	392	0	10	10	321
40,001 - 60,000	2	0	2	97	0	2	2	202
60,001 - 80,000	1	0	1	60	0	2	2	129
80,001 - 100,000	1	0	1	85	0	1	1	88
150,001 - 200,000					0	1	1	157
<b>Total cost included in bandings</b>	<b>54</b>	<b>86</b>	<b>140</b>	<b>1,449</b>	<b>20</b>	<b>162</b>	<b>182</b>	<b>1,829</b>
Add: Amounts provided for in CIES not yet paid**	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>89</b>
<b>Total cost included in CIES</b>	<b>54</b>	<b>86</b>	<b>140</b>	<b>1,449</b>	<b>20</b>	<b>162</b>	<b>182</b>	<b>1,918</b>

\* 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 2022/23 but for which no payment had yet been made.

## Note 29: External audit costs

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

	2021/22	2022/23
	£000	£000
<b>External audit costs</b>		
Fees payable to the external auditors with regard to external audit services carried out by the appointed auditor for the year, Grant Thornton	215	218
Fees payable to the external auditors for the certification of grant claims and returns for the year	8	10
<b>Total</b>	<b>223</b>	<b>228</b>

## Note 30: Dedicated Schools Grant

The Council's expenditure on schools in 2022/23 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 2022/23 there is a cumulative £56.6m deficit on the DSG. This is the net amount from an overspend on the High Needs Block of £150.1m, less unspent balances on the other blocks of £29.5m. The High Needs Block overspend is mainly offset by an earmarked reserve (see Note 9).



## Notes to the Accounts

Details of the deployment of DSG receivable for 2022/23 are shown on the table below:

	<b>Total</b>	<b>Central</b>	<b>Individual</b>	<b>Total</b>
	<b>2021/22</b>	<b>expenditure</b>	<b>schools</b>	<b>2022/23</b>
	<b>£000</b>	<b>2022/23</b>	<b>budget</b>	<b>2022/23</b>
	<b>£000</b>	<b>£000</b>	<b>2022/23</b>	<b>£000</b>
<b>Deployment of DSG Receivable</b>				
Final DSG before academy and high needs recoupment	979,777			1,031,164
Less: Academy and high needs recoupment	(461,016)			(491,513)
<b>Total DSG after academy and high needs recoupment</b>	<b>518,761</b>			<b>539,651</b>
Add: Brought forward from previous year	-			4,772
Add: Carry forward to next year agreed in advance	24,226			21,881
<b>Agreed initial budget distribution</b>	<b>542,987</b>	<b>205,064</b>	<b>361,240</b>	<b>566,304</b>
In year adjustments	39,442	24,371	(102)	24,269
<b>Final budget distribution</b>	<b>582,429</b>	<b>229,435</b>	<b>361,138</b>	<b>590,573</b>
Less: Actual central expenditure	(191,272)	(205,073)	0	(205,073)
Less: Actual ISB deployed to schools	(362,159)	0	(362,321)	(362,321)
Add: Local authority contribution	0	0	0	0
<b>In year carry forward to following year</b>	<b>28,998</b>	<b>24,362</b>	<b>(1,183)</b>	<b>23,179</b>
Less: Carry forward to next year agreed in advance	(24,226)			(21,881)
<b>Carry forward to next year</b>	<b>4,772</b>			<b>1,298</b>
<b>Net DSG Deficit at 31 March</b>	<b>57,863</b>			<b>61,337</b>
DSG unusable reserve at 1 April	62,635			62,635
Addition to DSG unusable reserve during year	0			0
<b>Total of DSG unusable reserve at 31 March</b>	<b>62,635</b>			<b>62,635</b>

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

DSG Block Balances	31/03/2022	31/03/2023
	£m	£m
Schools Block	6.947	7.928
Central Schools Services Block	0.219	1.066
High Needs Block	(118.835)	(149.841)
Early Years Block	13.306	15.510
HNB Safety Valve	40.500	64.000
<b>Total</b>	<b>(57.863)</b>	<b>(61.337)</b>

## Notes to the Accounts

### 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:

	2021/22	2022/23
<b>General grants &amp; contributions</b>	<b>£000</b>	<b>£000</b>
Private Finance Initiative Grant	6,976	5,955
Business Rate Grants	10,472	31,697
New Homes Bonus	1,265	2,237
COVID-19 Emergency Funding	19,984	7,936
Social Care Support Grant	21,971	31,231
Other Revenue Grants	13,892	18,785
Education Funding Agency - Schools Basic Need & Schools Condition Allocation	96,802	32,679
Highways Maintenance & Integrated Transport Grant	22,907	31,518
Capital developer contributions	17,402	24,280
Local Growth Deal	10,589	704
Capital contributions from schools	3,621	1,322
Other capital grants & contributions	3,370	10,085
<b>Total</b>	<b>229,252</b>	<b>198,429</b>

Grants credited to services are analysed in the following table:

<b>Grants credited to services</b>	<b>2021/22 £000</b>	<b>2022/23 £000</b>
Dedicated Schools Grant	570,704	599,568
Home for Ukraine Grant	0	33,752
Public Health Grant	38,554	39,637
Young People Learning Agency	9,353	21,639
Pupil Premium	12,807	13,610
Teachers' Pay and Pensions Grants	702	638
Universal Infant Free School Meals	7,437	6,831
Other Revenue Grants	121,310	105,382
<b>Total</b>	<b>760,867</b>	<b>821,057</b>

### 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 2022/23 is shown in Note 25.

In addition, a survey of the related party interests of members in office during the 2022/23 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 £24.0m. Of this, payments of £8.7m were to Woking Borough Council, in which 1 member declared an interest, £7.1m were to Surrey Heath Borough Council in which 1 member declared an interest and £32.4m were to other Borough Councils.

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.

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### 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.

## Notes to the Accounts

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

Group accounts for 2022/23 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 2022/23 the Council received £14.7m in interest payments from Halsey Garton Property Ltd (£14.3m in 2021/22) and £0.5m in recharges from the company for services provided in year (£0.5m 2021/22). As at 31 March 2023 the company owed SCC £234m in long term loans.

During 2022/23 the council received £0.4m in interest payments from Halsey Garton Residential Ltd (£0.4m 2021/22) and £0.2m in recharges from the company for services provided in year (£0.1m 2021/22). As at 31 March 2023 the company owed SCC £7.1m in long term loans, as well as £0.2m in short term payables. As at 31 March 2023 SCC owed the company £0.08m in short term payables.

The Council purchased £10.3m of Adult Social Care services from Surrey Choices Ltd (£10.3m in 2021/22). It received £2.4m in recharges from the company for services provided in year (£2.2m in 2021/22). As at 31 March 2023 the company owed SCC £1.8m in long term loans, as well as £0.01m in short term payables.

The Council received £0.1m in recharges from Hendeca for services provided in year (£0.5m in 2021/22). As at 31 March 2023 the company owed SCC £0.3m in short term payables.

### **Other public bodies** - subject to common control by central government

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

### **Surrey Pension Fund**

The fee payable by the Surrey Pension Fund to the county council for services provided in 2022/23 was £4.7m (£4.4m in 2021/22). This is split into the fee for providing pension administration services £4.2m (£3.9m in 2021/22) and £0.5m (£0.5m in 2021/22) for treasury management, accounting and managerial services.

During 2022/23 the Council paid employer pension contributions of £73.7m (£74.2m in 2021/22).

### **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 2022/23 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:

	2021/22	2022/23
	£000	£000
<b>Capital Financing</b>		
<b>Opening Capital Financing Requirement</b>	<b>1,341,237</b>	<b>1,333,772</b>
Property, Plant and Equipment	144,194	171,283
Investment Properties	0	9
Intangible Assets	0	975
Revenue Expenditure Funded from Capital Under Statute	18,299	29,995
Long Term Debtor	3,122	0
Sources of Finance:	-	-
Capital receipts	(62,000)	(25,990)
Government grants and other contributions	(79,214)	(91,197)
Sums set aside from revenue	-	-
Direct revenue contributions	(5,553)	(5,790)
Minimum Revenue Provision	(26,313)	(29,642)
PFI Deferred Income	0	(1,123)
<b>Closing Capital Financing Requirement</b>	<b>1,333,772</b>	<b>1,382,291</b>
Explanation of movements in year:		
Increase in underlying need to borrowing - unsupported by government financial assistance	18,848	79,285
Minimum Revenue Provision	(26,313)	(29,642)
PFI Deferred Income	0	(1,123)
<b>Increase / (decrease) in Capital Financing Requirement</b>	<b>(7,465)</b>	<b>48,520</b>

## Note 34: Leases

### Council as lessee

#### Operating leases:

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

<b>Operating lease liabilities - land and buildings</b>	<b>31 March 2022</b>	<b>31 March 2023</b>
	<b>£000</b>	<b>£000</b>
Not later than one year	2,178	2,035
Later than one year but not later than five years	6,332	4,954
Later than five years	10,024	9,366
<b>Total</b>	<b>18,534</b>	<b>16,356</b>

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

<b>Amounts charged to the CIES during the year - Operating leases - land and buildings</b>	<b>2021/22 £000</b>	<b>2022/23 £000</b>
Minimum lease payments for the year	3,759	3,615

### 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:

<b>Operating Lease Future Receipts – land and buildings:</b>	<b>31 March 2022</b>	<b>31 March 2023</b>
	<b>£000</b>	<b>£000</b>
Not later than one year	5,896	4,722
Later than one year but not later than five years	18,081	17,889
Later than five years	54,614	50,299
<b>Total</b>	<b>78,591</b>	<b>72,910</b>

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

## Notes to the Accounts

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

	Short- term as at 31 March 2022 £000	Long- term as at 31 March 2022 £000	Total as at 31 March 2022 £000	Short- term as at 31 March 2023 £000	Long- term as at 31 March 2023 £000	Total as at 31 March 2023 £000
PFI finance lease liabilities - Note 36	21,771	66,749	88,520	19,840	55,509	75,349
Deferred income liabilities - Note 36		8,180	8,180		6,989	6,989
Pension liabilities - Note 38		1,887,167	1,887,167		700,599	700,599
Balances held for third parties		6,149	6,149		6,197	6,197
<b>Total</b>	<b>21,771</b>	<b>1,968,245</b>	<b>1,990,016</b>	<b>19,840</b>	<b>769,294</b>	<b>789,134</b>

### Note 36: Private finance initiatives and similar contracts

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

In 1998 the Council entered into a long-term contract with Anchor Trust for the purchase of residential and day care for the elderly in 17 homes previously operated by the Council. Whilst the Council is committed to purchasing the majority of beds in the homes the contractor is able to manage the remaining capacity for their own benefit. The council is committed to purchasing 71% of the beds available and day care facilities irrespective of whether these are used for the county's clients. Of the 17 homes nine return to council management after 21 years, which happened in 2021/22. There is therefore no further Unitary Charges for Anchor Care Trust. The remaining eight homes remain under the control of Anchor Trust for a further nine years although the county will no longer be obliged to purchase beds under the terms of the original contract.

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

In 2002 the Council entered into a further long-term contract for the provision of residential and day care with Care UK. The contract has similar terms to that with Anchor Trust. The council is committed to purchasing 77% of the beds as well as day care facilities. All of the homes return to

## Notes to the Accounts

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:

<b>2021/22 (Restated)</b>					<b>2022/23</b>		
<b>Land &amp; Buildings</b>	<b>VPE</b>	<b>Infra-structure</b>	<b>AUC</b>		<b>Land &amp; Buildings</b>	<b>Infra-structure</b>	<b>VPE</b>
<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>		<b>£000</b>	<b>£000</b>	<b>£000</b>
100,928	0	76,653	29,039	<b>Gross cost at 1 April</b>	100,928	76,653	29,039
	29,039			Additions			
			(29,039)	De-recognition			
100,928	29,039	76,653	0	<b>Gross Cost at 31 March</b>	100,928	76,653	29,039
				<b>Accumulated Depreciation and Impairment at 1 April</b>	(37,805)	(22,134)	(78)
(35,792)	(78)	(20,217)		Depreciation charge for the year	(1,947)	(1,917)	(936)
(2,013)		(1,917)		Derecognition	0	0	0
0	0	0		<b>Accumulated Depreciation and Impairment at 31 March</b>	(39,752)	(24,051)	(1,014)
(37,805)	(78)	(22,134)	0				
65,136	0	56,436	29,039	<b>Net book Value at 1 April</b>	63,123	54,519	28,961
63,123	28,961	54,519	0	<b>Net book Value at 31 March</b>	90,215	52,602	28,024



## Notes to the Accounts

During 21/22 there was a £29m adjustment made relation to Ecopark, where it was reclassified to VPE from AUC in the PPE note. This adjustment was not originally reflected in the 2021/22 PFI note.

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 2023 (excluding any estimation of inflation and availability/performance deductions) are as follows:

	<b>Payable within one year as at 31 March 2022</b>	<b>Payable within one year as at 31 March 2023</b>	<b>Payable two to five years as at 31 March 2023</b>	<b>Payable within six to ten years as at 31 March 2023</b>	<b>Payable within 11 to 15 years as at 31 March 2023</b>	<b>Payable within 16 to 20 years as at 31 March 2023</b>	<b>Total as at 31 March 2023</b>
<b>Payment for Services:</b>							
Waste	58,346	61,56	22,447				83,994
Care UK	7,731	7,731	23,193				30,924
Street Lighting	2,923	2,936	11,939	15,626	7,131		37,632
<b>Sub-total</b>	<b>69,000</b>	<b>72,213</b>	<b>57,579</b>	<b>15,626</b>	<b>7,131</b>		<b>152,550</b>
<b>Reimbursement of Capital Expenditure:</b>							
Waste	19,048	19,084	18,371				37,455
Care UK	128	136	459				595
Street Lighting	2,595	2,772	13,184	22,772	11,320		50,048
<b>Sub-total</b>	<b>21,771</b>	<b>21,992</b>	<b>32,014</b>	<b>22,772</b>	<b>11,320</b>		<b>88,098</b>
<b>Interest:</b>							
Waste	3,135	1,246					1,246
Care UK	44	36	57				93
Street Lighting	5,782	5,592	20,077	18,102	4,149		47,920
<b>Sub-total</b>	<b>8,961</b>	<b>6,874</b>	<b>20,134</b>	<b>18,102</b>	<b>4,149</b>		<b>49,259</b>
<b>Total</b>	<b>99,733</b>	<b>101,079</b>	<b>109,727</b>	<b>56,500</b>	<b>22,600</b>		<b>289,907</b>

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

## Notes to the Accounts

	<b>Finance Lease Liability 2021/22 £000</b>	<b>Deferred Income Liability 2021/22 £000</b>	<b>Finance Lease Liability 2022/23 £000</b>	<b>Deferred Income Liability 2022/23 £000</b>
<b>Movement on PFI Liabilities</b>				
Balance outstanding at 1 April	(98,252)	(9,303)	(88,520)	(8,180)
Payments during the year	3,436	-	13,171	-
Capital expenditure incurred in the year	6,296	-	0	-
Amortisation of deferred income	-	1,123	-	1,191
<b>Balance outstanding at 31 March</b>	<b>(88,520)</b>	<b>(8,180)</b>	<b>(75,349)</b>	<b>(6,988)</b>

## Notes to the Accounts

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

	31 March 2022	31 March 2023
Street lighting contingent rent profile	£000	£000
Not later than one year	61	60
Later than one year but not later than five years	234	229
Later than five years	293	238
<b>Total</b>	<b>588</b>	<b>527</b>

### 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 2022/23, the Council paid £48.6m / 23.68%. The 2021/22 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 health 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

## Notes to the Accounts

employer's contributions payable to NHS pensions in the year. In 2022/23 the council's liability to pay NHS pensions is being finalised but stands at 16.88% of pensionable pay (2021/22, £533k, 16.88%) The total contribution rate for 2022/23 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**

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#### 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.

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#### 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.

## Notes to the Accounts

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:

## Notes to the Accounts

<u>Comprehensive Income &amp; Expenditure Statement</u>	Local Government Pension Scheme 2021/22 £000	Local Government Pension Scheme 2022/23 £000	Firefighters' Pension Scheme 2021/22 £000	Firefighters' Pension Scheme 2022/23 £000
<b>Cost of services:</b>				
Current service cost	168,763	<b>159,333</b>	10,200	<b>8,100</b>
Past service cost	456	<b>792</b>	200	<b>400</b>
(Gain)/loss on settlements	(3,163)	<b>(1,272)</b>	-	-
<b>Financing &amp; investment income &amp; expenditure:</b>	-	-	-	-
Net interest on the net defined benefit liability	30,450	<b>34,281</b>	13,900	<b>17,700</b>
<b>Total post employment benefit charged to the surplus or deficit on the provision of services</b>	<b>196,506</b>	<b>193,134</b>	24,300	<b>26,200</b>
Other post employment benefit charged to the CIES				
<b>Remeasurement of the net defined benefit liability comprising:</b>				
Return on plan assets excluding the amount included in the net interest expense	(106,779)	<b>97,163</b>		
Actuarial gains and losses arising on changes in demographic assumptions	(15,269)	<b>(20,203)</b>	(6,900)	<b>(7,600)</b>
Actuarial gains and losses arising on changes in financial assumptions	(233,633)	<b>(1,399,518)</b>	(43,800)	<b>(230,800)</b>
Other experience	(21,616)	<b>219,124</b>	5,900	<b>26,200</b>

## Notes to the Accounts

<u>Comprehensive Income &amp; Expenditure Statement</u>	Local Government Pension Scheme 2021/22 £000	Local Government Pension Scheme 2022/23 £000	Firefighters' Pension Scheme 2021/22 £000	Firefighters' Pension Scheme 2022/23 £000
<b>Total remeasurement of the net defined benefit liability</b>	(377,297)	<b>(1,103,434)</b>	(44,800)	<b>(212,200)</b>
<b>Total post employment benefit charged to the CIES</b>	(180,791)	<b>(910,300)</b>	(20,500)	<b>(186,000)</b>

<u>Movement in Reserves Statement</u>	Local Government Pension Scheme 2021/22 £000	Local Government Pension Scheme 2022/23 £000	Firefighters' Pension Scheme 2021/22 £000	Firefighters' Pension Scheme 2022/23 £000
Reversal of net charges made to the surplus or deficit on the provision of services for post-employment benefits in accordance with the Code	(196,506)	<b>(193,134)</b>	(24,300)	<b>(26,200)</b>
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions to the scheme/retirements benefits paid direct to pensioners	67,155	<b>70,368</b>	15,200	<b>19,900</b>

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### 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:

## Notes to the Accounts

	Local Government Pension Scheme 2021/22 £000	Local Government Pension Scheme 2022/23 £000	Firefighters' Pension Scheme 2021/22 £000	Firefighters' Pension Scheme 2022/23 £000
	<b><u>Pension assets and liabilities recognised in the balance sheet</u></b>			
Present value of the defined benefit obligation	(3,623,941)	<b>(2,618,408)</b>	(695,900)	<b>(454,000)</b>
Fair value of plan assets	2,396,674	<b>2,371,809</b>		
<b>Net liability arising from defined benefit obligation</b>	<b>(1,227,267)</b>	<b>(246,599)</b>	(695,900)	<b>(454,000)</b>



## Notes to the Accounts

### Assets and liabilities in relation to post-employment benefits

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

<u>Assets and liabilities in relation to post-employment benefits</u>	<b>Funded Liabilities Local Government Pension Scheme 2021/22 £000</b>	<b>Funded Liabilities Local Government Pension Scheme 2022/23 £000</b>	<b>Unfunded Liabilities Firefighters' Pension Scheme 2021/22 £000</b>	<b>Unfunded Liabilities Firefighters' Pension Scheme 2022/23 £000</b>
<b>Opening balance at 1 April</b>	(3,741,787)	<b>(3,623,941)</b>	(695,600)	<b>(659,900)</b>
Current service cost	(168,763)	<b>(159,333)</b>	(10,200)	<b>(8,100)</b>
Interest cost	(75,779)	<b>(99,023)</b>	(13,900)	<b>(17,700)</b>
Contributions by scheme participants	(21,098)	<b>(22,296)</b>		
<b>Remeasurements:</b>				
Actuarial gains and losses arising on changes in demographic assumptions	15,269	<b>20,203</b>	6,900	<b>7,600</b>
Actuarial gains and losses arising on changes in financial assumptions	233,633	<b>1,399,518</b>	43,800	<b>230,800</b>
Other experience	48,050	<b>(219,124)</b>	(5,900)	<b>(26,200)</b>
Pensions and lump sum expenditure			15,200	<b>19,900</b>
Benefits paid	80,601	<b>83,257</b>	-	-
Past service costs including curtailments	(456)	<b>(792)</b>	(200)	<b>(400)</b>
Business combinations and disposals	0	<b>0</b>		
Settlements	6,389	<b>3,123</b>		
<b>Closing balance at 31 March</b>	<b>(3,623,941)</b>	<b>(2,618,408)</b>	(659,900)	<b>(454,000)</b>

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.

## Notes to the Accounts

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

	Local Government Pension Scheme 2021/22 £000	Local Government Pension Scheme 2022/23 £000	Firefighters' Pension Scheme 2021/22 £000	Firefighters' Pension Scheme 2022/23 £000
<b><u>Reconciliation of the movements in the fair value of the scheme plan assets</u></b>				
<b>Opening fair value of scheme assets at 1 April</b>	2,266,574	2,396,674		
Interest income	45,329	64,742		
Remeasurement:				
Return on assets excluding amounts included in net interest	80,345	(97,163)		
Employer contributions	65,056	68,328		
Employer contributions adjustment*				
Contributions by scheme participants	21,098	22,296		
Benefits paid	(78,502)	(81,217)		
Business combinations and disposals				
Settlements	(3,226)	(1,851)		
<b>Closing fair value of scheme assets at 31 March</b>	2,396,674	2,371,809		

\*Difference between actuary estimate of employer contributions and actual contributions paid

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total net liability of £247m has an impact on the net worth of the Council as recorded in the Balance Sheet. The liability has reduced considerably during 2022/23 and statutory arrangements for funding the deficit, however, mean that the financial position of the Council remains stable:

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

## Notes to the Accounts

### 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 2023.

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:

	<b>Local Government Pension Scheme 2021/22</b>	<b>Local Government Pension Scheme 2022/23</b>	<b>Firefighters' Pension Scheme 2021/22</b>	<b>Firefighters' Pension Scheme 2022/23</b>
<b><u>Principal assumptions used by the actuary</u></b>				
<b>Mortality assumptions:</b>				
<b>Longevity at 65 for current pensioners/60 for firefighters:</b>				
Men	22.3 years	<b>22.1 years</b>	26.3 years	<b>25.9 years</b>
Women	24.9 years	<b>24.7 years</b>	28.7 years	<b>28.5 years</b>
<b>Longevity at 65 for future pensioners/60 for firefighters:</b>				
Men	23.1 years	<b>22.9 years</b>	27.7 years	<b>27.3 years</b>
Women	26.3 years	<b>26.0 years</b>	30.1 years	<b>29.8 years</b>
Rate of inflation	3.20%	<b>3.20%</b>	3.70%	<b>3.20%</b>
Rate of increase in salaries	4.20%	<b>3.95%</b>	3.70%	<b>3.20%</b>
Rate of increase in pensions	3.20%	<b>2.95%</b>	3.20%	<b>3.00%</b>
Rate for discounting scheme liabilities	2.70%	<b>4.75%</b>	2.70%	<b>4.80%</b>

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.

## Notes to the Accounts

### 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.

<u>Sensitivity Analysis</u>	<b>Local Government Pension Scheme - Approximate % increase to employer liability</b>	<b>Local Government Pension Scheme - Approximate monetary amount £000</b>
0.1% decrease in real discount rate	2%	46,498
1 year increase in member life expectancy*	4%	104,736
0.1% increase in the salary increase rate	0%	3,537
0.1% increase in the pension increase rate	2%	43,662

Sensitivity Analysis	Fire Fighters - Approximate % increase to employer liability	Fire Fighters - Approximate monetary amount £000
0.5% decrease in real discount rate	10%	43,849
1 year increase in member life expectancy*	3%	13,623
0.5% increase in the salary increase rate	<1%	3,537
0.5% increase in the pension increase rate	8%	43,662

\*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).

## Notes to the Accounts

### Investment assets

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

Quoted prices in active markets	Quoted prices in active markets at 31 March 2022 £000	Quoted prices in active markets at 31 March 2022 %	Quoted prices in active markets at 31 March 2023 £000	Quoted prices in active markets at 31 March 2023 %
<b>Equity securities:</b>	-	-	-	-
Consumer	41,928	2%	37,244	2%
Manufacturing	33,430	1%	31,094	1%
Energy & utilities	7,432	0%	11,926	1%
Financial institutions	27,813	1%	42,175	2%
Health & care	28,631	1%	36,888	2%
Information technology	74,996	3%	52,244	2%
Other	0		0	
<b>Sub-total</b>	<b>214,230</b>		<b>211,571</b>	
<b>Debt securities:</b>				
UK government	79,771	3%		
Other				
<b>Sub-total</b>	<b>79,771</b>		<b>0</b>	
<b>Real estate:</b>				
UK property	95,625	4%	87,229	4%
Overseas property	51,084	2%	55,694	2%
<b>Sub-total</b>	<b>146,709</b>		<b>142,923</b>	
<b>Investment funds &amp; unit trusts:</b>				
Equities	1,407,328	59%	1,381,291	57%
Bonds	262,498	11%	256,802	11%
Other				
<b>Sub-total</b>	<b>1,699,826</b>		<b>1,638,093</b>	
<b>Derivatives:</b>				
Interest rate				
Foreign exchange	(9,705)	0%	(6,322)	0%
<b>Sub-total</b>	<b>(9,705)</b>		<b>(6,322)</b>	
Cash & cash equivalents	60,314	3%	49,658	2%
<b>Sub-total</b>	<b>2,161,145</b>		<b>2,035,923</b>	
<b>Quoted prices in non-active markets:</b>				
Private equity	235,529	10%	335,886	14%
Debt securities: UK government				
Real estate: UK				
Real estate: Overseas				
<b>Sub-total</b>	<b>235,529</b>		<b>335,886</b>	

## Notes to the Accounts

	Quoted prices in active markets at 31 March 2022 £000	Quoted prices in active markets at 31 March 2022 %	Quoted prices in active markets at 31 March 2023 £000	Quoted prices in active markets at 31 March 2023 %
<b>Quoted prices in active markets</b>	<b>2,396,674</b>	<b>100%</b>	<b>2,371,809</b>	<b>100%</b>
<b>Total</b>	<b>2,396,674</b>	<b>100%</b>	<b>2,371,809</b>	<b>100%</b>

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### Asset and liability matching strategy

The LGPS assets are administered by Surrey County Council through 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.

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### Impact on the Council's cash flows

The council has a stabilisation strategy in place to keep employer contributions at a consistent rate as possible. The council has agreed a strategy with the fund's actuary to achieve 100% funding over the next 15-20 years. The council's employer contribution rate is set at a level to help achieve this objective. The contribution level is periodically reviewed as part of the triennial valuation to ensure it is appropriate. The most recent review was as at the 31 March 2023.

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

The council expects to make employer contributions of £57.016m to the LGPS in 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

## Notes to the Accounts

but are disclosed by way of a note if it is probable that an inflow/outflow of economic benefits will occur.

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### Contingent Liabilities

The council embarked upon a PFI for waste disposal in 1999. By the end of 2022/23 £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.

## Notes to the Accounts

### Note 40: Cash flow statement- Operating Activities

The cash flows for operating activities include the following items

<b>Cash Flow Statement - Operating Activities</b>	<b>31/03/2022 £000</b>	<b>31/03/2023 £000</b>
Interest received	15,055	18,354
Interest paid	(28,673)	(29,372)
Dividends paid	0	0

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

<b>Non-cash movements</b>	<b>31/03/2022 £000</b>	<b>31/03/2023 £000</b>
Depreciation	89,985	108,485
Impairment and downward valuations	(620)	27,667
Amortisation	1,929	0
Increase/(decrease) in impairment for bad debts	0	0
Increase/(decrease) in creditors	(11,268)	36,948
(Increase)/decrease in debtors	(51,000)	(65,360)
(Increase)/decrease in inventories	186	73
Movement in pension liability	138,700	129,066
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	49,900	63,291
Other non-cash items charged to the net surplus or deficit on the provision of services	(17,997)	(4,892)
<b>Total</b>	<b>199,815</b>	<b>295,278</b>

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



## Notes to the Accounts

<b>Adjustments to the surplus/deficit on provision of services based on investing and financing activities</b>	<b>31/03/2022</b>	<b>31/03/2023</b>
	<b>£000</b>	<b>£000</b>
Proceeds from short-term - not considered to be cash equivalents - and long-term - includes investments in associates, joint ventures and subsidiaries - investments	0	0
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,681)	(60,495)
Any other items for which the cash effects are investing or financing cash flows	(154,941)	(100,589)
	<hr/>	<hr/>
<b>Total</b>	<b>(156,622)</b>	<b>(161,084)</b>

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

	<b>31/03/2022</b>	<b>31/03/2023</b>
	<b>£000</b>	<b>£000</b>
<b>Cash flow statement - purchase of property, plant &amp; equipment</b>		
Purchase of property, plant and equipment, investment property and intangible assets	(145,048)	(172,267)
Purchase of short-term and long-term investments	(985)	0
Other payments for investing activities	0	436
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,681	60,495
Proceeds from short-term and long-term investments	0	0
Other receipts from investing activities	154,692	100,589
	<hr/>	<hr/>
<b>Net cash flows from investing activities</b>	<b>10,340</b>	<b>(10,747)</b>

### **Note 42: Cash flow statement – Financing Activities**

	<b>31/03/2022</b>	<b>31/03/2023</b>
	<b>£000</b>	<b>£000</b>
<b>Cash flow statement – financing activities</b>		
Cash receipts of short- and long-term borrowing	53,888	0
Other receipts from financing activities	0	0
Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts	(15,377)	(12,431)
Repayments of short- and long-term borrowing	(57,744)	(73,705)
Other payments for financing activities	0	0
	<hr/>	<hr/>
<b>Net cash flows from financing activities</b>	<b>(19,233)</b>	<b>(86,136)</b>

### 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 2023. 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

	Gross		Net	Gross		Net
	Expenditure	Income for	Expenditure	expenditure	Income for	expenditure
Group Comprehensive	for year	year ended	for year	for year	year ended	for year
Income and	ended 31	year ended	ended 31	ended 31	year ended	ended 31
Expenditure Statement	March 2022	31 March	March 2022	March 2023	31 March	March 2023
	£000	2022 £000	£000	£000	2023 £000	£000
Children, Families, Learning & Culture	634,618	(298,912)	335,706	704,678	(339,309)	365,369
Delegated Schools	350,672	(344,916)	5,756	367,843	(356,044)	11,799
Adult Social Care	608,460	(199,567)	408,893	680,339	(215,037)	465,302
Public Health	62,931	(69,275)	(6,344)	48,570	(51,568)	(2,998)
Community Protection	65,061	(10,675)	54,386	66,554	(7,375)	59,179
Transport & Environment	201,723	(21,952)	179,771	228,459	(29,166)	199,293
Resources	148,039	(77,579)	70,460	133,172	(74,984)	58,188
Transformation, Partnership & Prosperity	1,451	(33)	1,418	1,673	(90)	1,583
Central Income & Expenditure	296	(57,267)	(56,971)	60,358	(67,167)	(6,809)
<b>Total services' revenue expenditure</b>	<b>2,073,251</b>	<b>(1,080,176)</b>	<b>993,075</b>	<b>2,291,646</b>	<b>(1,140,740)</b>	<b>1,150,906</b>
Other operating income and expenditure	73,041	(41,684)	31,357	29,814	(25,392)	4,422
Financing & investment income & expenditure	87,536	(77,837)	9,699	230,775	(95,454)	135,321
Local taxation		(917,667)	(917,667)		(951,523)	(951,523)
General grants & contributions		(229,252)	(229,252)		(198,430)	(198,430)
<b>(Surplus)/deficit on provision of services</b>	<b>2,233,828</b>	<b>(2,346,616)</b>	<b>(112,788)</b>	<b>2,552,235</b>	<b>(2,411,539)</b>	<b>140,696</b>
Tax expense of subsidiaries			3,145			1,886
<b>Group (surplus)/deficit</b>			<b>(109,643)</b>			<b>142,582</b>
(Surplus)/ or deficit on revaluation of non- current assets			(95,033)			(124,391)
Remeasurement of the net defined benefit liability			(422,097)			(1,315,634)

## Group Comprehensive Income & Expenditure Statement

	Gross		Net	Gross		Net
	Expenditure	Income for	Expenditure	expenditure	Income for	expenditure
	for year	year ended	for year	for year	year ended	for year
	ended 31	year ended	ended 31	ended 31	year ended	ended 31
	March 2022	31 March	March 2022	March 2023	31 March	March 2023
	£000	2022 £000	£000	£000	2023 £000	£000
<b>Group Comprehensive Income and Expenditure Statement</b>						
<b>Other Comprehensive Income &amp; Expenditure</b>			<b>(517,130)</b>			<b>(1,440,025)</b>
<b>Total Comprehensive Income &amp; Expenditure</b>			<b>(626,773)</b>			<b>(1,297,443)</b>

## Group Movement in Reserves Statement

<u>2022/23</u>	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
<b>Balance at 31 March 2022</b>	<b>(461,259)</b>	<b>(782)</b>	<b>(189,185)</b>	<b>(651,226)</b>	<b>840,034</b>	<b>188,808</b>	28,896	217,704
(Surplus) or deficit on provision of services	140,696			140,696		140,696	1,886	142,582
Other comprehensive income & expenditure					(1,440,025)	(1,440,025)		(1,440,025)
<b>Total comprehensive income &amp; expenditure</b>	140,696			140,696	(1,440,025)	<b>(1,299,329)</b>	<b>1,886</b>	<b>(1,297,443)</b>
Adjustments between Group Accounts and Surrey County Council Accounts	(38,410)			(38,410)		(38,410)	38,410	
Adjustments between accounting basis & funding basis under regulations	(113,821)	(53,688)	(33,445)	(200,954)	200,954			
<b>Increase/decrease in year</b>	<b>(11,535)</b>	<b>(53,688)</b>	<b>(33,445)</b>	<b>(98,669)</b>	<b>(1,239,071)</b>	<b>(1,337,739)</b>	<b>40,296</b>	<b>(1,297,443)</b>
<b>Balance at 31 March 2023</b>	<b>(472,794)</b>	<b>(54,470)</b>	<b>(222,630)</b>	<b>(749,895)</b>	<b>(399,037)</b>	<b>(1,148,931)</b>	<b>69,192</b>	<b>(1,079,739)</b>

## Group Movement in Reserves Statement

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

## Group Balance Sheet

### Group Balance Sheet

	As at 31 March 2022	As at 31 March 2023
<u>Group Balance Sheet</u>	<u>£000</u>	<u>£000</u>
<b>Long-term assets:</b>		
Property, plant and equipment	1,939,675	2,085,167
Heritage assets	1,024	1,024
Investment property	441,058	360,736
Intangible assets	3,588	3,338
Long-term investments	263	263
Long-term debtors	2,780	2,687
<b>Total long-term assets</b>	<b>2,388,388</b>	<b>2,453,215</b>
<b>Short-term assets:</b>		
Intangible assets		
Assets held for sale	27,710	22,286
Inventories	1,255	1,182
Short-term debtors	190,577	256,278
Cash & cash equivalents	179,318	111,742
<b>Total current assets</b>	<b>398,860</b>	<b>391,487</b>
<b>Short-term liabilities:</b>		
Borrowing	(237,996)	(173,810)
Creditors	(269,648)	(300,169)
Provisions	(3,480)	(2,651)
Revenue grants receipts in advance	(1,511)	(7,450)
Capital grants receipts in advance	(34)	(10)
Other current liabilities	(21,771)	(19,840)
<b>Total current liabilities</b>	<b>(534,440)</b>	<b>(503,930)</b>
<b>Long-term liabilities:</b>		
Provisions	(13,022)	(11,604)
Long-term borrowing	(487,281)	(480,131)
Other long-term liabilities	(1,970,208)	(769,299)
<b>Total long-term liabilities</b>	<b>(2,470,511)</b>	<b>(1,261,034)</b>
<b>Net assets/(liabilities)</b>	<b>(217,704)</b>	<b>1,079,739</b>
<b>Reserves:</b>		
Usable reserves	(654,250)	(754,549)
Unusable reserves	871,954	(325,190)
<b>Total reserves</b>	<b>217,704</b>	<b>(1,079,739)</b>

## Group Cash Flow Statement

### Group Cash Flow Statement

<u>Group Cash Flow Statement</u>	<b>2021/22</b>	<b>2022/23</b>
	<b>£000</b>	<b>£000</b>
Net surplus/deficit on the provision of services	109,643	(142,582)
Adjustments to net surplus/deficit on the provision fo services for non-cash movements	151,821	335,040
Adjustments for items included in the net surplus/deficit on the provision of services that are investing and financing activities	(156,622)	(161,084)
<b>Total net cash inflows from operating activities</b>	<b>104,842</b>	<b>31,374</b>
<b>Net cash outflows from investing activities:</b>	10,340	(12,814)
<b>Net cash inflows from financing activities:</b>	(19,233)	(86,137)
<b>Net (increase)/decrease in cash &amp; cash equivalentents</b>	<b>95,949</b>	<b>(67,576)</b>
<b>Cash &amp; cash equivalentents at the beginning of the reporting period</b>	83,369	179,318
<b>Cash &amp; cash equivalentents at the end of the reporting period</b>	<b>(179,318)</b>	<b>111,742</b>

The cash flows from operating activities in 2022/23 include interest received of £18.3m (2021/22, £15.6m) and interest paid of £29.3m (2021/22, £18.1m).

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



## Notes to the Group Accounts

### ○ 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, Halsey Garton Residential 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 31/03/2023 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 was the first full year of trading.

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.

## Notes to the Group Accounts

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 2022/23 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 2023, 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:

<b><u>Income &amp; expenditure in relation to investment properties</u></b>	<b>2021/22 £000</b>	<b>2022/23 £000</b>
Rental income from investment property	25,645	23,706
Direct operating expenses arising from investment property	(3,246)	(3,404)
<b>Net gain</b>	<b>22,399</b>	<b>20,302</b>
<b>Loss on sale of investment property</b>		(3,935)
Net (loss)/gain on fair value adjustments	55,805	(53,005)
<b>Total income &amp; expenditure in relation to investment properties</b>	<b>78,204</b>	<b>(28,768)</b>

## Notes to the Group Accounts

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

<u>Fair value of investment properties</u>	2021/22 £000	2022/23 £000	Office £000	Industrial £000	Retail £000	Other £000	Fair Value Hierarchy
Balance at 1 April 2022	373,562	441,058	156,800	70,350	166,150	47,758	Level 3
Purchases	11,524	9	9	0	0	0	
Reclassifications	(247)	94	27	0	0	67	
Disposal	0	(27,500)	(27,500)	0	0	0	
Net gain/(loss) from fair value adjustments	56,220	(53,005)	(16,976)	(13,225)	(19,960)	(2,844)	
<b>Balance at 31 March 2023</b>	<b>441,058</b>	<b>360,656</b>	<b>112,360</b>	<b>57,125</b>	<b>146,190</b>	<b>44,981</b>	<b>Level 3</b>

Details of the authority's investment properties and information about the fair value hierarchy at 31 March 2023 and 2022 are as follows:

<b>2022/23 - Recurring fair value measurement using:</b>	<b>Quoted markets in active markets for identical assets - Level 1 £000</b>	<b>Other significant observable inputs £000</b>	<b>Significant unobservable inputs - Level 3 £000</b>	<b>Fair value as at 31 March 2023</b>
Residential market rental properties			44,981	44,981
Industrial			57,125	57,125
Office units			111,260	111,260
Commercial units			147,290	147,290
<b>Total</b>			<b>360,656</b>	<b>360,656</b>

## Notes to the Group Accounts

<b>2021/22 - Recurring fair value measurement using:</b>	<b>Quoted markets in active markets for identical assets - Level 1 £000</b>	<b>Other significant observable inputs £000</b>	<b>Significant unobservable inputs - Level 3 £000</b>	<b>Fair value as at 31 March 2023</b>
Residential market rental properties	-	-	47,758	47,758
Industrial	-	-	70,350	70,350
Office units	-	-	156,800	156,800
Commerical units	-	-	166,150	166,150
<b>Total</b>	-	-	<b>441,058</b>	<b>441,058</b>

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. As 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 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.

## Notes to the Group Accounts

### ○ Note 6: Financial instruments

#### Categories of Financial Instruments

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

	1 April 2022	31 March
	£000	2023 £000
<b>Financial Assets</b>		
<b>Fair value through profit or loss:</b>		
Long-term investments		
Cash	140,700	96,500
<b>Total fair value through profit or loss</b>	<b>140,700</b>	<b>96,500</b>
<b>Amortised cost:</b>		
Long-term investments	263	263
Long-term debtors	2,780	2,636
Short-term debtors	130,063	168,777
Cash	38,618	15,443
<b>Total amortised cost</b>	<b>171,724</b>	<b>187,119</b>
<b>Total financial assets</b>	<b>312,424</b>	<b>283,619</b>
<b>Total non-financial assets</b>	<b>2,474,824</b>	<b>2,591,924</b>
<b>Total</b>	<b>2,787,247</b>	<b>2,875,544</b>

### ○ Note 7: External audit costs

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

	2021/22	2022/23
	£000	£000
<b>External audit costs</b>		
<b>Fees payable to the external auditors with regard to external audit services carried out by the appointed auditor for the year:</b>		
Grant Thornton	215	218
UHY Hacker Young	77	51
Kreston Reves	0	27
Fees payable to the external auditors for the certification of grant claims and returns for the year	8	10
CFO Insights subscription fee	0	0
<b>Total</b>	<b>300</b>	<b>306</b>

### ○ Note 8: Group Cash Flow

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

## Notes to the Group Accounts

	2021/22	2022/23
	£000	£000
Depreciation	89,985	108,485
Impairment and downward valuations	(620)	27,667
Amortisation	1,929	0
Increase/(Decrease) in impairment for bad debts	0	0
Increase/(Decrease) in creditors	(10,115)	35,165
(Increase)/Decrease in debtors	(51,034)	(66,266)
(Increase)/Decrease in inventories	186	73
Movement in pension liability	138,700	129,066
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	49,872	63,291
Other non-cash items charged to the net surplus or deficit on the provision of services	(67,082)	<b>37,559</b>
<b>Total</b>	<b>151,821</b>	<b>335,040</b>

# ANNUAL GOVERNANCE STATEMENT 2022/23

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 2022/23, 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).

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## 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 2022/23.

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](#). 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

## Annual Governance Statement

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 2022/23 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 2023 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 2022/23 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 2022/23 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



## Annual Governance Statement

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.

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### 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 2023. 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

## Annual Governance Statement

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.

## Annual Governance Statement

### 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.

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### 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 2021/22, 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.

## Annual Governance Statement

The Council’s financial management arrangements during 2022/23 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 2022 to 31 March 2023. 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 2022/23 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.

### 2021/22 Annual Governance Statement Action Plan – Follow Up

Issue identified during 2021/22	Action taken during 2022/23
<p><b>Children’s Services</b> - To continue to make improvements in our Children’s Services.</p>	<p>Continued focus on Children’s Services improvement through oversight and scrutiny of action plans and ongoing activity.</p> <p>Update provided on page 3 of the AGS.</p> <p>Improvement in Children’s Services are ongoing and will continue to be reviewed by external inspectors.</p>
<p><b>Pensions Administration</b> - To continue improvements in the Pensions Administration service and integrate with the Pension Fund team.</p>	<p>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.</p>

## Annual Governance Statement

Issue identified during 2021/22	Action taken during 2022/23
	Improvements in Pensions Administration are ongoing and included in the 2022/23 AGS action plan.
<b>Governance</b> - 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
<b>Land and Assets</b> - 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: <ul style="list-style-type: none"> <li>- implementing Planon – an integrated property work management system;</li> <li>- a new project planning and risk framework for all capital projects;</li> <li>- a culture, values, and skills project for all staff;</li> <li>- a new operating model for facilities management;</li> <li>- a review of finance, risk, audit recommendations, performance, and stakeholder engagement.</li> </ul>
<b>Risk Management</b> - 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.
<b>Company Governance</b> - To ensure the Council’s companies meet best practice in oversight, planning and governance arrangements.	Further improvements have been made to the governance arrangements for Council companies including, business planning, oversight, training and development on the role and responsibilities of directors and conflicts of interest, risk management reporting and scrutiny.

## Annual Governance Statement

### 2022/23 Annual Governance Statement Action Plan

Issue identified during 2022/23	Action to be taken during 2022/23
<p><b>Pensions Administration</b> - To continue improvements in the Pensions Administration service and integrate with the Pension Fund team.</p>	<p>Transition the Pensions Helpdesk and control of Pensions Bank Account.</p> <p>Finalise induction approach and “about us” video.</p> <p>Implement recommendations from Value Stream Mapping work (with systems provider Heywoods).</p>
<p><b>DB&amp;I programme – MySurrey</b> - To ensure the DB&amp;I programme is implemented successfully.</p>	<p>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.</p>
<p><b>Governance</b> - To promote good governance not only through systems and process but emphasise behavioural characteristics and values.</p>	<p>The Governance Panel will coordinate improved accessibility, training, and communication of key governance systems.</p> <p>A Surrey Approach to cultural and behavioural governance will be implemented focusing on:-</p> <ul style="list-style-type: none"> <li>- Extent of recognition of individual and collective responsibility for good governance.</li> <li>- Awareness of political dynamics.</li> <li>- How the council looks to the future to set its decision-making priorities.</li> <li>- Officer and councillor roles.</li> <li>- How the council’s real situation compares to its sense of itself.</li> <li>- Quality of local (external) relationships.</li> <li>- The state of member oversight through scrutiny and audit.</li> </ul>
<p><b>Children’s Services Improvement</b> - To continue to make improvements in our Children’s Services.</p>	<p>An action plan will be submitted to Ofsted by 22 June to focus improvement on</p> <ul style="list-style-type: none"> <li>- The quality and effectiveness of assessments and plans for all children, including disabled children, homeless 16- and 17-year-olds and privately fostered children.</li> <li>- Partnership work to secure support for children and young people’s mental health and well-being</li> </ul>

## Annual Governance Statement

Issue identified during 2022/23	Action to be taken during 2022/23
	<ul style="list-style-type: none"> <li>- The provision of essential information to carers about children and viability assessments to inform placements with friends or family.</li> <li>- The sufficiency of suitable accommodation for young people, including care leavers.</li> <li>- The quality and impact of supervision to ensure that decisions are timely and support the progression of children’s plans.</li> <li>- The proportion of permanent staff, to reduce turnover.</li> </ul>
<p><b>Surrey Fire and Rescue Service -</b> To continue to make improvements in SFRS.</p>	<p>Action plans will be regularly monitored and reported to the select committee against the following key actions</p> <p>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.</p> <p>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.</p> <p>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.</p>

Tim Oliver  
Leader of the Council

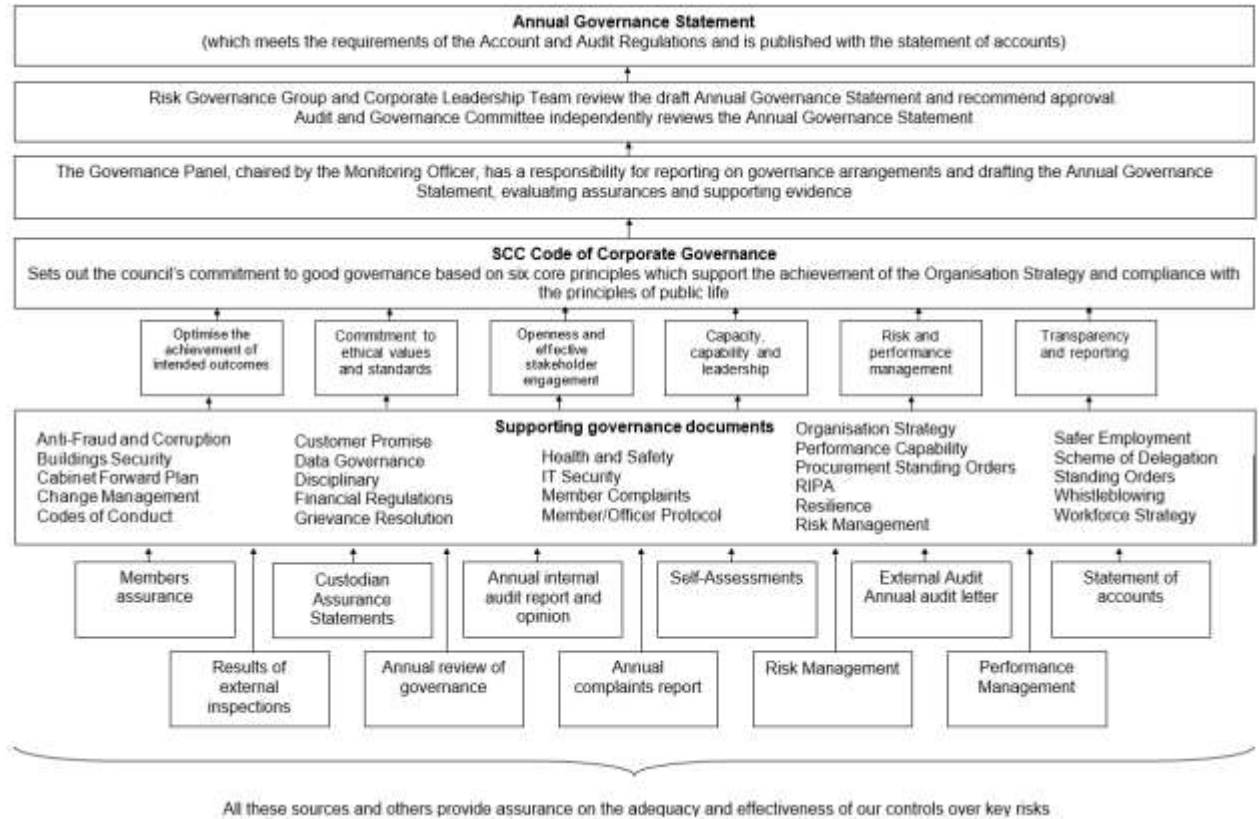
27 March 2024

Leigh Whitehouse  
Executive Director of Resources (S151 Officer) and  
Interim Chief Executive

27 March 2024

# Annual Governance Statement

## Governance Framework – Annex A





## Firefighters' Pension Fund

### Firefighters' Pension Fund Financial statements

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.

Firefighter's pension fund account	2021/22 £000	2022/23 £000
<b>Contributions receivable:</b>		
Contributions receivable from employer - normal	(5,142)	(5,043)
Contributions receivable from employees	(2,277)	(2,254)
Individual transfers in from other schemes	(297)	(340)
Ill health charges	(109)	(222)
<b>Total contributions receivable</b>	<b>(7,825)</b>	<b>(7,858)</b>
<b>Benefits payable:</b>		
Pensions	14,847	15,934
Commutations and lump sum retirement benefits	3,321	5,285
Lump sum death benefits	14	0
Payments to and on account of leavers	15	14
<b>Total benefits payable</b>	<b>18,197</b>	<b>21,232</b>
<b>Net amount receivable for the year before top-up grant</b>	<b>10,372</b>	<b>13,374</b>
Top-up grant received from Home Office	(8,338)	(9,387)
Top-up grant still owing from Home Office	(2,034)	(3,987)
<b>Net amount payable/receivable for the year</b>	<b>(10,372)</b>	<b>(13,374)</b>

Net Assets	31.03.2022 £000	31.03.2023 £000
<b>Current assets:</b>		
Pension top-up grant receivable from Home Office	2,034	3,987
<b>Total current assets</b>	<b>2,034</b>	<b>3,987</b>
<b>Current liabilities:</b>		
Cash overdrawn	(2,034)	(3,987)
<b>Total current liabilities</b>	<b>(2,034)</b>	<b>(3,987)</b>

## Firefighters' Pension Fund

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### Note 1 – General principles

- **Legal status**

The Firefighters' Pension Fund is administered by Surrey County Council; it falls within the jurisdiction of the Council's chief finance officer for certification prior to being submitted for approval to the Audit and Governance Committee. It is also subject to the council's statutory audit report which is issued after approval from the Audit and Governance Committee has been given.' and 'The operation of the pension fund for authorities administering the firefighters' pension scheme in England is controlled by the Firefighters' Pension Scheme (Amendment) (England) Order 2006 (SI 2006/1810). Since 1st April 2006, the Council has administered (the 1992, 2006 and 2015 firefighters' pension) schemes from a separate local fire-fighter pension fund and therefore the firefighters' pension fund does not form part of the Council's balance sheet.

- **Fund operations**

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

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

Estimating the net liability to pay pensions depends upon a number of complex judgements relating to salary increase projections, changes in retirement ages and mortality, expected returns on pension fund assets and the discount rate used for financial modelling. A sensitivity analysis carried out by the actuary revealed that a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £65.8m.

- **Significant accounting policies**

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

## Firefighters' Pension Fund

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.

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### 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.

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### Note 3 - Benefits and refunds

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

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### 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.

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### Note 5 – Top up grant

The fund was topped up by Government grant of £10.4m in 2022/23 (£8.8m in 2021/22) 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 2022/2023**

## Pension Fund

### Fund Account

£000	Note	2022/23	2021/22
Contributions receivable	7	207,586	193,640
Transfers in	8	36,287	33,289
<b>Contributions Sub-total</b>	-	<b>243,873</b>	<b>226,929</b>
Benefits payable	9	(176,888)	(170,855)
Payments to and on account of leavers	10	(26,341)	(16,148)
<b>Benefits Sub-total</b>	-	<b>(203,229)</b>	<b>(187,003)</b>
<b>Net additions from dealings with members</b>	-	<b>40,644</b>	<b>39,926</b>
Management expenses	11	(19,765)	(14,709)
<b>Net additions including fund management expenses</b>	-	<b>20,879</b>	<b>25,217</b>
<b>Return on investments</b>	-	-	-
Investment income	12	41,850	24,531
Taxes on income	-	(1,020)	(1,169)
Profit and (losses) on disposal of investments and changes in the value of investment	17	(127,825)	295,914
<b>Net return on investments</b>	-	<b>(86,995)</b>	<b>319,276</b>
<b>Net increase in the net assets available for benefits during the year</b>	-	<b>(66,116)</b>	<b>344,493</b>
<b>Opening net assets of the scheme</b>	-	5,357,512	5,013,019
<b>Closing net assets of the scheme</b>	-	<b>5,291,396</b>	<b>5,357,512</b>

## Pension Fund

### Net Assets Statement

£000	Note	31 March 2023	31 March 2022
Investment assets	14	5,240,381	5,348,129
Investment liabilities	14	-	(23,165)
<b>Total net investments</b>	-	<b>5,240,381</b>	<b>5,324,964</b>
Current assets	21	58,896	42,633
<b>Total assets</b>	-	<b>5,299,277</b>	<b>5,367,597</b>
Current liabilities	22	(7,881)	(10,085)
<b>Net assets of the fund available to fund benefits at the end of the reporting period</b>	-	<b>5,291,396</b>	<b>5,357,512</b>

**Note:** The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at Note 20.

### Notes to the Accounts

#### **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.

##### **a) General**

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 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. The Fund is overseen by the Surrey Pension Fund Committee, which is a committee of Surrey County Council.

##### **b) 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.

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Membership details are set out below:

Membership Details	31 March 2023	31 March 2022
Number of employers	<b>345</b>	<b>327</b>
<b>Employees in the Scheme</b>	-	-
Surrey County Council	19,664	19,326
Other Employers	23,037	22,119
Total Employees in the Scheme	<b>42,701</b>	<b>41,445</b>
<b>Pensioners</b>	-	-
Surrey County Council	15,469	14,880
Other Employers	13,104	14,730
Total Pensioners	<b>28,573</b>	<b>29,610</b>
<b>Deferred Pensioners</b>	-	-
Surrey County Council	26,738	26,379
Other Employers	16,630	16,948
Total Deferred Pensioners	<b>43,368</b>	<b>43,327</b>
<b>Total Number of Members</b>	<b>114,642</b>	<b>114,382</b>

### c) 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 2023. Employers' contributions are set following triennial actuarial funding valuations. The last such valuation was at 31 March 2022 and new rates applied from April 2023.

The employer contribution rates for 2022/23 ranged from 12.7% to 43.6% of pensionable pay.

### d) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final salary and length of pensionable service. From 1 April 2014, the scheme became a career average revaluation scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49<sup>th</sup>. Accrued pension is updated annually in line with the Consumer Prices Index.

A range of other benefits are also provided including early retirement, ill health pensions and death benefits, as explained on [the LGPS website](#).

## 2. Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the 2022/23 financial year and its position at the year end at 31 March 2023. The accounts have been prepared in accordance with



## Pension Fund

the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) 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 2022/23.

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 20 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.

### 3. Summary of significant accounting policies

#### 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 and out of the Fund 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

- 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

## Pension Fund

the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

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

#### d) 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.

#### e) Management expenses

The Fund discloses its management expenses in line with the CIPFA guidance Accounting for Local Government Pension Scheme Management Expenses (2016), as shown below. All items of expenditure are charged to the Fund on an accruals basis as follows:

- **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.
- **Oversight and 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.

## Pension Fund

### **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 end of the year is reported as a current liability.

### **Net assets statement**

#### **f) Financial assets**

All investment assets are included in the financial statements on a fair value basis as at the reporting date. Loans and receivables 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.

Surrey Pension Fund is a partner fund of Border to Coast Pensions Partnership. Each Partner Fund invested in Class A and B Shares at a cost (transaction price) of £1 and £1,181,818 respectively. This investment has been valued at cost and will continue to be, as the fair value of these assets cannot be reliably estimated.

#### **g) 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.

#### **h) 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 contracts 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 contracts were matched at the year end with an equal and opposite contract.

#### **i) Cash and cash equivalents**

## Pension Fund

Cash comprises cash in hand and demand deposits and includes amounts held by the Fund's external managers. All cash balances are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to minimal risk of changes in value.

### **j) Loans and receivables**

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

## Pension Funds

### **k) 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.

### **l) 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.

### **m) 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 employees 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 for information in a note to the accounts.

## **4. Critical judgements in applying accounting policies**

There are no critical judgements in applying accounting policies.

## **5. Sources of estimation uncertainty**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts. Estimates and assumptions take account of historical experience, current trends and future expectations. However, actual outcomes could be different from the assumptions and estimates made. The items in the net asset statement for which there is a significant risk of material adjustment the following year are as follows:

## Pension Funds

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if actual results differ from assumptions</b>
<b>Private equity</b>	Private equity investments, both limited partnership and fund of funds pooled investments), 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.	There is more uncertainty regarding the valuation of these asset types, and could potentially be subject to material adjustments. Sensitivity analysis is provided in note 16 to the accounts.
<b>Property Unit Trust</b>	Valuation techniques are used to determine the carrying amount of pooled property funds.	There is more uncertainty regarding the valuation of these asset types, and could potentially be subject to material adjustments. Sensitivity analysis is provided in note 16 to the accounts.

## Pension Funds

### 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. Adjustments are made 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.

### 7. Contributions receivable

#### By Category

£000	2022/23	2021/22
<b>Total Employees' Contributions</b>	<b>49,142</b>	<b>44,228</b>
Normal contributions	130,303	113,675
Deficit recovery contributions	27,364	33,220
Augmentation contributions	388	2,517
<b>Total Employers' Contributions</b>	<b>158,055</b>	<b>149,412</b>
Other contributions	389	-
<b>Total Contributions Receivable</b>	<b>207,586</b>	<b>193,640</b>

#### By Employer

£000	2022/23	2021/22
Administering authority	91,313	87,048
Scheduled bodies	110,045	102,187
Admitted bodies	5,840	4,405
Other	389	-
<b>Total</b>	<b>207,586</b>	<b>193,640</b>

## Pension Funds

### 8. Transfers in from other pension funds

£000	2022/23	2021/22
Group transfers	9,359	-
Individual transfers	26,928	33,289
<b>Total Transfers</b>	<b>36,287</b>	<b>33,289</b>

### 9. Benefits Payable

#### By Category

#### By Type of Employer

£000	2022/23	2021/22
Pensions	(151,030)	(143,247)
Commutation and lump sum retirement benefits	(21,206)	(22,114)
Lump sum death benefits	(4,514)	(5,317)
Interest on late payment of benefits	(138)	(177)
<b>Total Benefits Payable</b>	<b>(176,888)</b>	<b>(170,855)</b>

£000	2022/23	2021/22
Administering authority	(81,786)	(78,970)
Scheduled bodies	(81,073)	(82,514)
Admitted bodies	(14,029)	(9,371)
<b>Total Benefits Payable</b>	<b>(176,888)</b>	<b>(170,855)</b>

### 10. Payments to and on account of leavers

£000	2022/23	2021/22
Group transfers to other schemes	(25,529)	(15,404)
Refunds of contributions	(822)	(755)
Payments for members joining state schemes	10	11
<b>Total Payments</b>	<b>(26,341)</b>	<b>(16,148)</b>



## Pension Fund

### 11. Management expenses

£000	2022/23	2021/22
Administrative costs	(4,198)	(3,883)
Investment management expenses	(8,131)	(9,267)
Oversight and governance costs	(7,436)	(1,559)
<b>Total Management expenses</b>	<b>(19,765)</b>	<b>(14,709)</b>

As part of its oversight and governance costs in 2022/23, the Fund had also paid £1,521k (2021/22: £649k) in respect of pooling costs payable to the Border to Coast Pensions Partnership (BCPP).

#### Investment management expenses

### 2022/23

£000	Management fees	Performance related fees	Transaction costs	Total
Bonds	-	-	-	-
Equities	(3,594)	-	(198)	(3,792)
Pooled investments	(631)	-	(254)	(885)
Pooled property investments	(1,256)	-	-	(1,256)
Private equity	(2,031)	-	-	(2,031)
Property	-	-	-	-
Derivatives	-	-	-	-
Cash and FX contracts	-	-	-	-
<b>Sub-total</b>	<b>(7,512)</b>	<b>-</b>	<b>(452)</b>	<b>(7,964)</b>
Custody fees	-	-	-	(167)
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(8,131)</b>
Oversight and governance				(7,436)
<b>Total</b>				<b>(15,567)</b>

## Pension Funds

**2021/22**

£000	Management fees	Performance related fees	Transaction costs	Total
Equities	(1,088)	-	-	(1,088)
Pooled investments	(1,368)	-	(179)	(1,547)
Pooled property investments	(2,223)	-	-	(2,223)
Private equity	(4,287)	-	-	(4,287)
<b>Sub-total</b>	<b>(8,966)</b>	<b>-</b>	<b>(179)</b>	<b>(9,145)</b>
Custody fees	-	-	-	(122)
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(9,267)</b>
Oversight and governance				(1,559)
<b>Total</b>				<b>(10,826)</b>

### 12. Investment income

£000	2022/23	2021/22
Income from equities	18,401	7,965
Income from pooled investments	-	4,368
Private equity income	10,426	3,003
Pooled property investments	10,720	8,309
Interest on cash deposits	1,445	9
Other	858	877
<b>Total Investment income</b>	<b>41,850</b>	<b>24,531</b>

### 13. Other fund account disclosures

£000	2022/23	2021/22
Payable in respect of external audit	(64)	(41)
Payable in respect of other services	-	(20)
<b>Total External audit costs</b>	<b>(64)</b>	<b>(61)</b>

## Pension Fund

### 14. Investments

#### Investment assets and liabilities

£000	31 March 2023	31 March 2022
<b>Investment assets:</b>	-	-
Equity	485,691	3,569,755
Bonds	563,595	760,065
Pooled funds: Equity unit trusts	2,999,453	0
<b>Sub-total</b>	<b>4,048,739</b>	<b>4,329,820</b>
Other investments: Pooled property investments	293,784	331,775
Other investments: Private equity	795,159	548,856
Derivatives	22,607	1,613
<b>Total net investments</b>	<b>5,160,289</b>	<b>5,212,064</b>
Cash deposits	77,750	133,939
Other investment balances	2,342	2,126
<b>Sub-total</b>	<b>5,240,381</b>	<b>5,348,129</b>
<b>Investment liabilities:</b>	-	-
Derivatives	-	(23,165)
<b>Total investment assets</b>	<b>5,240,381</b>	<b>5,324,964</b>

**Note:** Equity assets sub-categorised in 22/23 between pooled and non-pooled funds.

## Pension Fund

### 14A. Reconciliation of movements in investments and derivatives

**2022/23**

£000	Market value 1 April 2022	Purchases and derivative payments	Sales and derivative receipts	Change in value during the year	Market value 31 March 2023
Bonds	760,065	0	0	0	0
Equities	3,569,755	219,922	(196,128)	(13,836)	485,691
Pooled investments	-	13,350	(285,642)	(104,419)	3,563,048
Pooled property investments	331,775	6,631	(3,997)	(40,624)	293,784
Private equity	548,856	257,061	(92,077)	81,318	795,159
<b>Sub-total</b>	<b>5,210,451</b>	496,964	(577,844)	(77,560)	<b>5,137,682</b>
Derivatives	(21,552)	133,217	(39,180)	(49,878)	22,607
<b>Sub-total</b>	<b>5,188,899</b>	630,180	(617,024)	(127,438)	<b>5,160,289</b>
Other investment balances: Cash	133,939	-	-	(387)	77,750
Other investment balances: Accrued income/other	2,126	-	-	-	2,342
<b>Total</b>	<b>5,324,964</b>	-	-	(127,825)	<b>5,240,381</b>

**Note:** Bonds and Equity assets sub-categorised in 22/23 between pooled and non-pooled funds.

## Pension Fund

**2021/22**

<b>£000</b>	<b>Market value 1 April 2021</b>	<b>Purchases and derivative payments</b>	<b>Sales and derivative receipts</b>	<b>Change in value during the year</b>	<b>Market value 31 March 2022</b>
Bonds	<b>792,693</b>	615,616	(614,138)	(34,106)	<b>760,065</b>
Equities	<b>2,992,053</b>	2,792,039	(2,421,570)	207,233	<b>3,569,755</b>
Diversified growth	<b>455,222</b>	2,699	(471,441)	13,520	-
Pooled investments	-	-	-	-	-
Pooled property investments	<b>266,256</b>	26,209	(9,566)	48,875	<b>331,775</b>
Private equity	<b>375,944</b>	215,962	(69,224)	26,174	<b>548,856</b>
<b>Sub-total</b>	<b>4,882,168</b>	3,652,525	(3,585,939)	261,696	<b>5,210,450</b>
Derivatives – forward currency contracts	<b>(7,226)</b>	53,359	(41,508)	(26,177)	<b>(21,552)</b>
<b>Sub-total</b>	<b>4,874,942</b>	3,705,855	(3,627,447)	235,519	<b>5,188,899</b>
Other investment balances: Cash	<b>107,494</b>	-	-	60,395	133,939
Other investment balances: Accrued income/other	<b>1,505</b>	-	-	-	<b>2,126</b>
<b>Total</b>	<b>4,983,941</b>	-	-	295,914	<b>5,324,964</b>

## Pension Funds

### 14B. Investments analysed by fund manager

Fund Manager	Market value 31 March 2023 £000	%	Restated Market value 31 March 2022 £000	%
<b>Investments managed by Border to Coast Pension Partnership:</b>	-	-	-	-
Border to Coast UK Equity Alpha	499,575	10	541,209	10
Border to Coast Global Equity Alpha	739,481	14	712,861	13
Border to Coast Global MAC	563,595	11	582,921	11
Border to Coast Global Listed Alt	250,709	5	402,260	8
<b>Sub-total</b>	<b>2,053,360</b>	<b>40</b>	<b>2,239,251</b>	<b>42</b>
<b>Investments managed outside Border to Coast Pension Partnership:</b>	-	-	-	-
LGIM (Legal & General Investment Management)	1,509,699	29	1,700,507	32
Newton Investment Management	490,754	9	492,757	9
CBRE Global Multi-Manager	306,891	6	337,969	6
Private equity/other	857,070	16	576,032	11
Derivatives	22,607	-	(21,552)	-
<b>Sub-total</b>	<b>3,187,021</b>	<b>60</b>	<b>3,085,713</b>	<b>58</b>
<b>Total</b>	<b>5,240,381</b>	<b>100</b>	<b>5,324,964</b>	<b>100</b>

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

**Note:** The comparator for the period ended 31 March 2022 is also shown for Private equity/ other and derivatives that was previously omitted.

## Pension Funds

Fund Manager	Market value 31 March 2023 £000	%	Market value 31 March 2022 £000	%
LGIM Future World Global Equity Index	925,281	18	1,024,039	19
Border to Coast Global Equity Alpha	739,481	14	712,861	13
Border to Coast Multi Asset Credit	563,595	11	582,921	11
Border to Coast UK Equity Alpha	499,573	10	541,209	10
Border to Coast Multi Listed Alternatives	250,701	5	402,260	8
LGIM World Emerging Markets Fund	275,163	5	299,134	6
LGIM - TLCV Bespoke (34048)	187,215	4	262,815	5
<b>Total</b>	<b>3,441,009</b>	<b>67</b>	<b>3,825,239</b>	<b>72</b>

### 14C. 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 2023 the value of quoted securities on loan was £16 million (£5.6 million as at 31 March 2022) in exchange for collateral held by the Fund custodian at fair value of £17.3 million (£6.1 million as at 31 March 2022).

### 15. 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 2023 the Fund had forward currency contracts in place with a net unrealised gain of £22.6m (net unrealised loss of (£21.6m) at 31 March 2022).

## Pension Funds

### 2022/23

Number of contracts	Contract settlement date within	Currency bought	Currency Sold	Notional amount in local currency bought £000	Notional amount in local currency sold £000	Asset £000	Liability £000
4	Three months	GBP	EUR	199,059	(223,072)	2,636	-
2	Three months	GBP	JPY	66,264	(10,543,400)	1,724	-
7	Three months	GBP	USD	656,649	(790,288)	18,247	-
-	-	-	-	-	-	<b>22,607</b>	-

### 2021/22

Number of contracts	Contract settlement date within	Currency bought	Currency Sold	Notional amount in local currency bought £000	Notional amount in local currency sold £000	Asset £000	Liability £000
2	Three months	GBP	EUR	176,351	(210,475)	-	(1,925)
2	Three months	GBP	JPY	73,141	(11,412,300)	1,613	-
6	Three months	GBP	USD	651,956	(886,118)	-	(21,240)
-	-	-	-	-	-	<b>1,613</b>	<b>(23,165)</b>

### 16. 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.

Assets and liabilities have been classified into three levels, according to the quality and reliability of information used to determine fair values.



## Pension Funds

Description of Asset	Valuation Hierarchy	Basis of Valuation	Observable and Unobservable Inputs	Key Sensitivities Affecting the Valuations Provided
Market quoted investments (equities)	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 (bonds)	Level 2	Average of broker prices	Evaluated price feeds	Not required
Forward foreign exchange derivatives (derivatives and other)	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	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

## Pension Funds

Description of Asset	Valuation Hierarchy	Basis of Valuation	Observable and Unobservable Inputs	Key Sensitivities Affecting the Valuations Provided
(pooled Property)				
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	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 (Equities and private equities)	Level 3	Comparable valuation of similar companies in accordance with <i>International Private Equity and Venture Capital Valuation Guidelines (2012)</i>	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 cashflows, and by any differences between audited and unaudited accounts

### Sensitivity of assets held at Level 3

The Fund has determined that the valuation methods described above for Level 3 investments 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 2023 and 31 March 2022.

## Pension Funds

### 2023

31 March 2023	Potential variation in fair value (+/-%)	Value at 31 March 2023 £000	Potential value on increase £000	Potential value on decrease £000
Private Equity	10	795,159	874,675	715,643
Property Funds	10	126,189	138,808	113,570
<b>Total</b>	<b>-</b>	<b>921,348</b>	<b>1,013,483</b>	<b>829,213</b>

### 2022

31 March 2023	Potential variation in fair value (+/-%)	Value at 31 March 2022 £000	Potential value on increase £000	Potential value on decrease £000
Private Equity	10	548,856	603,742	493,970
Property Funds	10	153,524	168,876	138,172
<b>Total</b>	<b>-</b>	<b>702,380</b>	<b>772,618</b>	<b>632,142</b>

## Pension Funds

### 16A. Fair Value Hierarchy

#### Financial Assets and Liabilities at Fair Value 31 March 2023

£000	Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
<b>Financial assets at fair value:</b>	-	-	-	-
Equities	485,691	-	-	485,691
Pooled investments	-	3,563,048	-	3,563,048
Pooled property investments	-	167,595	126,189	293,784
Private equity	-	-	795,159	795,159
Derivatives	-	22,607	-	22,607
Cash *	77,570	-	-	77,570
Other investment balances	2,497	25	-	2,522
<b>Financial liabilities at fair value:</b>	565,758	3,753,275	921,348	5,240,381
Derivatives	-	-	-	-
<b>Total</b>	<b>565,758</b>	<b>3,753,275</b>	<b>921,348</b>	<b>5,240,381</b>

## Pension Funds

### Financial Assets and Liabilities at Fair Value 31 March 2022

£000	Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
<b>Financial assets at fair value:</b>	-	-	-	-
Equities	475,732	3,094,023	-	3,569,755
Bonds	-	760,065	-	760,065
Pooled investments	-	-	-	-
Pooled property investments	-	178,250	153,521	331,775
Private equity	-	-	548,856	548,856
Derivatives	-	1,613	-	1,613
Cash*	133,939	-	-	133,939
Other investment balances	2,104	22	-	2,126
<b>Financial liabilities at fair value:</b>	611,775	4,033,973	702,381	5,348,129
Derivatives	-	(23,165)	-	(23,165)
<b>Total</b>	<b>611,775</b>	<b>4,010,808</b>	<b>702,381</b>	<b>5,324,964</b>

\*This financial instrument is classified at amortised cost in note 17

## Pension Funds

### 16B. Reconciliation of Fair Value measurements within Level 3

#### 2022/23

£000	Value at 31 March 2022	Purchases	Sales	Realised gains and losses	Unrealised gains and losses	Value at 31 March 2023
Private equity	548,856	256,874	(91,889)	31,018	50,300	795,159
Property funds	153,524	6,039	(3,997)	-	(29,377)	126,189
<b>Total</b>	<b>702,380</b>	<b>262,913</b>	<b>(95,886)</b>	<b>31,018</b>	<b>20,923</b>	<b>921,348</b>

#### 2021/22

£000	Value 31 March 2021	Purchases	Sales	Realised gains and losses	Unrealised gains and losses	Value 31 March 2022
Private equity	375,944	215,962	(69,224)	21,349	4,825	<b>548,856</b>
Property funds	118,168	34,357	(6,512)	7,511	0	<b>153,524</b>
<b>Total</b>	<b>494,112</b>	<b>250,319</b>	<b>(75,736)</b>	<b>28,860</b>	<b>4,825</b>	<b>702,380</b>

## Pension Funds

### 17. Classification of financial instruments

#### Financial assets and liabilities 31 March 2023

£000	Fair value through Profit and Loss	Assets at amortised cost	Liabilities at amortised cost
<b>Financial assets:</b>	-	-	-
Equities	485,691	-	-
Pooled investments	3,563,048	-	-
Pooled property investments	293,784	-	-
Private equity	795,159	-	-
Derivatives	22,607	-	-
Cash	0	77,750	-
Other investment balances	2,342	-	-
<b>Financial liabilities:</b>	5,162,631	77,750	-
Derivatives	-	-	-
<b>Total</b>	<b>5,162,631</b>	<b>77,750</b>	<b>-</b>

#### Financial assets and liabilities 31 March 2022

£000	Fair value through Profit and Loss	Assets at amortised cost	Liabilities at amortised cost
<b>Financial assets:</b>			
Equities	3,569,755	-	-
Bonds	760,065	-	-
Pooled property investments	331,775	-	-
Private equity	548,856	-	-
Derivatives	1,613	-	-
Cash	-	133,939	-
Other investment balances	2,126	-	-
Current assets	-	42,633	-
<b>Financial liabilities:</b>	5,214,190	176,572	-
Derivatives	(23,165)	-	-
Current liabilities	-	-	(10,085)
<b>Total</b>	<b>5,191,025</b>	<b>176,572</b>	<b>(10,085)</b>

## Pension Funds

### 17A. Net gains and losses on financial instruments

£000	2022/23	2021/22
<b>Financial assets:</b>	-	-
Fair value through profit and loss	(77,560)	261,696
Amortised cost - realised gains on derecognition of assets	-	-
Amortised cost - unrealised gains	91	60,400
<b>Financial liabilities:</b>	-	-
Fair value through profit and loss	(49,877)	(26,177)
Amortised cost - realised (losses) on derecognition of assets	(479)	-
Amortised cost - unrealised (losses)	-	(5)
<b>Total gain / (loss)</b>	<b>(127,825)</b>	<b>295,914</b>

### 18. Nature and extent of risks arising from financial instruments

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e., 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 Committee. 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.

#### 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.



## Pension Funds

### 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

In consultation with its investment advisors, the Fund has determined that the following movements in market price risk are reasonably possible in the short term, assuming that all other variables, in particular foreign exchange rates and interest rates, remain the same.

### 2023

Asset	Potential market movement (+/-%)	Value at 31 March 2023 £000	Potential value on increase £000	Potential value on decrease £000
Equities	13	485,691	546,888	424,494
Equity unit trusts	6	2,999,453	3,179,420	2,819,486
Bonds	7	563,595	604,117	523,073
Pooled property investments	6	293,784	312,674	274,894
Cash	3	77,750	79,818	75,682
Private equities	6	795,159	844,459	745,859
Other assets	2	24,949	25,548	24,350
<b>Total</b>	<b>7</b>	<b>5,240,381</b>	<b>5,592,924</b>	<b>4,887,838</b>

## Pension Funds

**2022**

Asset	Potential variation in fair value (+/-%)	Value at 31 March 2022 £000	Potential value on increase £000	Potential value on decrease £000
Equities	18	593,956	700,452	487,460
Equity unit trusts	14	2,975,799	3,390,030	2,561,568
Index Linked	9	177,144	193,264	161,024
Bonds	8	582,921	629,730	536,112
Pooled property investments	5	331,775	347,866	315,684
Cash	2	133,939	137,167	130,711
Private equities	6	548,856	582,336	515,376
Other assets	2	(19,426)	(19,894)	(18,958)
<b>Total</b>	<b>12</b>	<b>5,324,964</b>	<b>5,894,203</b>	<b>4,755,725</b>

### 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.

### Interest rate risk – sensitivity analysis

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 1% change in interest rates. The analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash and cash equivalent balances but they will affect the interest income received on those balances.

Assets exposed to interest rate risk:

## Pension Funds

### 2023 analysis by asset type

£000	Value at 31 March 2023	Potential value on 1% rate increase	Potential value on 1% rate decrease
Cash and cash equivalents - includes direct and indirect holdings	95,497	95,497	(95,497)
Fixed interest securities	563,595	569,231	(557,959)
<b>Total</b>	<b>659,092</b>	<b>664,728</b>	<b>(653,456)</b>

### 2022 analysis by asset type

£000	Value at 31 March 2022	Potential value on 1% rate increase	Potential value on 1% rate decrease
Cash and cash equivalents - includes direct and indirect holdings	133,939	133,939	(133,939)
Fixed interest securities	582,921	582,921	(582,921)
<b>Total</b>	<b>716,860</b>	<b>716,860</b>	<b>(716,860)</b>

#### Currency risk

Currency risk represents the risk that the fair value or 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

The tables below show assets with potential non-UK exposures. These assets are identified as overseas investments.

## Pension Funds

### 2023

Analysis by asset type	Potential market movement (+/-%)	Value at 31 March 2023 £000	Potential value on increase £000	Potential value on decrease £000
Overseas equities	6	2,073,088	2,204,635	1,941,541
Bonds	6	563,595	599,358	527,832
Property & private equity	6	677,218	720,191	634,245
<b>Total</b>	<b>6</b>	<b>3,313,901</b>	<b>3,524,184</b>	<b>3,103,618</b>

### 2022

Analysis by asset type	Potential market movement (+/-%)	Value at 31 March 2022 £000	Potential value on increase £000	Potential value on decrease £000
Overseas equities	7	2,975,799	3,194,350	2,757,248
Bonds	7	582,921	625,732	540,110
Property & private equity	7	467,599	501,941	433,257
Cash	7	4,189	4,497	3,881
<b>Total</b>	<b>7</b>	<b>4,030,508</b>	<b>4,326,520</b>	<b>3,734,496</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.

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 of those counterparties.

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).

## Pension Funds

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.

£000	31 March 2023	31 March 2022
<b>Money market fund:</b>	-	-
Aberdeen MMF	100	100
Aviva	100	100
Blackrock	12,700	14,700
Deutsche	3,300	100
Morgan Stanley	400	100
<b>Sub-total</b>	<b>16,600</b>	<b>15,100</b>
<b>Current account:</b>	-	-
HSBC	1,147	42
<b>Internally managed cash</b>	<b>17,747</b>	<b>15,142</b>
<b>Externally managed cash:</b>	-	-
LGIM	-	85,671
Custodian	77,750	33,126
<b>Total cash and cash equivalents</b>	<b>95,497</b>	<b>133,939</b>

### 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.

The Fund monitors prospective cash flow. 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.

### 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.

## Pension Funds

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.

### 19. 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 contributions
- 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.

## Pension Funds

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' contribution 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 are described in the 2022 valuation report and FSS.

## Pension Funds

### 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:

	31 March 2022
<b>Financial assumptions</b>	<b>%</b>
Discount rate	4.4 pa
Salary increase assumption	3.7 pa
Benefit increase assumption (CPI)	2.7 pa

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are 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 1.50% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males - Years	Females - Years
<b>Average future life expectancy at age 65</b>		
Current pensioners	22.3	24.9
Future pensioners (age 45 at the 2022 valuation)	23.1	26.3

Copies of the 2022 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund and on the Fund's website.

### Experience over the period since 31 March 2022

Markets continued to be disrupted by the ongoing war in Ukraine and inflationary pressures, impacting on investment returns achieved by the Fund's assets. High levels of inflation in the UK (compared to recent experience), have resulted in a higher than expected LGPS benefit increase of 10.1% in April 2023. Despite this, the funding level of the Fund is likely to be higher than reported at the 31 March 2022 funding valuation due to the significant rise in interest rates which reduces the value placed on the Fund's liabilities.

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



## Pension Funds

22 May 2023

For and on behalf of Hymans Robertson LLP

### 20. Actuarial present value of promised retirement benefits

CIPFA's Code of Practice on Local Authority Accounting 2022/23 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. The actuary Hymans Robertson was 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

£m	31 March 2023	31 March 2022
Active members	1,926	3,526
Deferred members	1,428	2,016
Pensioners	2,311	2,209
<b>Total</b>	<b>5,665</b>	<b>7,751</b>

The promised retirement benefits at 31 March 2023 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2022. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

The figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, I have not made any allowance for unfunded benefits.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the pension fund accounts. They should not be used for any other purpose (i.e., comparing against liability measures on a funding basis or a cessation basis).

## Pension Funds

### Assumptions

The assumptions used are those adopted for the Administering Authority IAS19 report and are different as at 31 March 2023 and 31 March 2022. I estimate that the impact of the change in financial assumptions to 31 March 2023 is to decrease the actuarial present value by £3,039m. I estimate that the impact of the change in demographic assumptions is to decrease the actuarial present value by £95m.

### Financial assumptions

% Rate	31 March 2023	31 March 2022
Pension Increase Rate	2.95	3.20
Salary Increase Rate	3.95	4.10
Discount Rate	4.75	2.70

### Demographic assumptions

The longevity assumptions have changed since the previous IAS26 disclosure for the Fund. Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 10% 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:

Average future life expectancy at age 65	Males - Years	Females - Years
Current pensioners	22.0	24.7
Future pensioners (assumed to be aged 45 at the latest formal valuation)	22.7	26.1

All other demographic assumptions are unchanged from last year and as per the latest funding valuation of the Fund.

### 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 obligations are set out below:

Sensitivity to the assumptions for the year ended 31 March 2023	Approximate increase to liabilities %	Approximate monetary amount £m
0.1% p.a. decrease in the Discount Rate	2	102
1 year increase in member life expectancy	4	227
0.1% p.a. increase in the Salary Increase Rate	-	8
0.1% p.a. increase in the Pension Increase Rate (CPI)	2	95

## Pension Funds

### Professional notes

This statement accompanies the 'Accounting Covering Report – 31 March 2023' which identifies the appropriate reliance and limitations for the use of the figures above, together with further details regarding the professional requirements and assumptions.

Steven Scott FFA

22 May 2023

For and on behalf of Hymans Robertson LLP

### 21. Current assets

£000	31 March 2023	31 March 2022
Contributions - employees	3,039	3,236
Contributions - employer	8,658	8,896
Sundry debtors	29,452	30,501
<b>Sub-total</b>	<b>41,149</b>	<b>42,633</b>
Cash balances	17,747	0
<b>Total Current Assets</b>	<b>58,896</b>	<b>42,633</b>

Note: Cash balances directly held by the Fund have been analysed as part of Current Assets for the period ended 31 March 2023. The comparator for the period ended 31 March 2022 is also shown on this basis.

### 22. Current Liabilities

£000	31 March 2023	31 March 2022
Sundry creditors	(7,700)	(9,717)
Benefits payable	(181)	(368)
<b>Total Current liabilities</b>	<b>(7,881)</b>	<b>(10,085)</b>

### 23. Additional voluntary contributions

£000	31 March 2023	31 March 2022
Prudential - market value	14,753	16,053
<b>£000</b>	<b>2022/23</b>	<b>2021/22</b>
Prudential - contributions paid	1,100	1,900

## Pension Funds

### 24. Agency services

The Surrey Pension Fund pays discretionary awards to former employees of district councils on an agency basis as shown below. The amounts paid are reclaimed from the employer bodies.

<b>£000</b>	<b>2022/23</b>	<b>2021/22</b>
District & Boroughs	2,007	15,968
Other bodies	306	3,101
<b>Total</b>	<b>2,313</b>	<b>19,069</b>

### 25. Related party transactions

The Surrey Pension Fund is administered by Surrey County Council. During the reporting period, the council incurred costs of £4.720m (2021/22 £4.725m) in relation to the administration and management of the Fund and was reimbursed by the Fund for these expenses.

The council is also the single largest employer of members of the pension fund. Net amounts owed by Surrey County Council to the Fund as at 31 March 2023 were £2,047k (£1,456k at 31 March 2022).

Members of both the Pension Fund Committee and Local Pension Board are required to declare their disclosable pecuniary interests in respect of any item to be considered 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.

#### 25A. Key management personnel

Key management personnel are members of the Pension Fund Committee, the Executive Director of Corporate Resources, the Director of Corporate Finance and the Assistant Director – LGPS Senior Officer.

Their remuneration is set out below:

<b>£000</b>	<b>2022/23</b>	<b>2021/22</b>
Short-term benefits	143	144
Post-employment benefits	17	-
<b>Total Remuneration</b>	<b>160</b>	<b>144</b>

### 26. Contingent Liabilities and Contractual Commitments

At 31 March 2023 the Fund held part paid investments on which the liability for future calls amounted to £846 million (£553 million as at 31 March 2022)

## Glossary of Terms

### Glossary of Terms

#### Accruals

An accounting concept that recognises income when it is earned and expenditure when it is incurred, and not when cash is transferred. The inclusion of debtors, creditors and depreciation are examples of accruals.

#### Amortisation

The process of writing down the value of an intangible asset over time in order to spread the cost of the asset over the period of its useful economic life.

#### Assets held for sale

Properties that are being actively marketed and sale is expected in the next 12 months.

#### Assets under construction

Assets not yet ready for use. This could be new building works or road construction.

#### Balances

Balances are maintained for future years' budgets and to provide a cushion against expenditure being higher or income lower than expected. Contributions to balances can either be a planned contribution from the revenue budget or a transfer of any revenue surplus at the year-end. The maintenance of an appropriate level of balances is a fundamental part of prudent financial management.

#### Business Rates

See Non-Domestic Rates (NDR).

#### Capital expenditure

Expenditure on the acquisition or enhancement of a non-current asset. The cost of maintaining an asset at its current value is revenue expenditure.

#### Capital adjustment account

A balance sheet item, unique to local authority accounting, that is central to the capital accounting regime. The balance on the account cannot be used, but reflects the extent to which, to date, capital funding of assets has preceded depreciation of those assets.

## Glossary of Terms

### **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.

## Glossary of Terms

### **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.

### **Curtailed 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.

## Glossary of Terms

### **Intangible assets**

Intangible assets yield benefits to the Council for more than one year but are without physical form. For example software licences and the development of website technology. Intangible assets are recorded at cost and amortised over their estimated useful economic life.

### **Interest cost (pensions)**

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

### **Investment properties**

Any property (land or buildings) held solely for rental income or for capital appreciation or both. Investment properties are not used to support the strategy or service obligations of the local authority.

### **Leasing**

This facility is a means to obtain the use of vehicles, plant and computer equipment without physically owning these items. Leases may be either operational, where the asset reverts to the lessor at contract end; or finance leases, where the assets passes to the lessee.

### **Lessee**

A party to a lease agreement who makes payment to use an asset owned by another party.

### **Lessor**

A party to a lease agreement who receives payment, from another party, for the use of an asset which they own.

### **Material**

Information is said to be material if its omission or misstatement could influence the decisions users take on the basis of the

financial statements. Materiality therefore relates to the importance or significance of an amount, transaction, or discrepancy. The assessment of what is material is a matter of professional judgment; the size and nature of the item under consideration must be taken into account in making this judgement.

### **Minimum revenue provision (MRP)**

A statutory provision to set aside for the repayment of external debt, equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance.

### **Net current replacement cost**

A method of valuation that estimates the cost of replacing or recreating an asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

### **Net realisable value**

A method of valuation that estimates the open market value of an asset in its existing use (or open market value in the case of non-operational asset), less the expenses required realising the asset.

### **Non-Domestic Rates (NDR)**

The rates paid by businesses. The amount paid is based on the rateable value of the premises they occupy (set by the Inland Revenue) multiplied by a national rate in the pound set by the government. The rates are collected by local authorities and paid over to the government. They are then redistributed to local authorities on the basis of the relevant population. Under the Business Rates Retention Scheme, locally collected business rates are shared between local and central government.



## Glossary of Terms

### **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.

## Glossary of Terms

### **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.