



# **Guildford Borough Council Statement of Accounts 2020-21**

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# GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

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# GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

## Statement Of Responsibilities

### The Council's Responsibilities

The Council is required to:

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

### The Chief Financial Officer's Responsibilities

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

In preparing this Statement of Accounts, the Chief Financial 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 Chief Financial Officer has also:

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

I certify that the Statement of Accounts presents a true and fair view of the financial position of Guildford Borough Council at 31 March 2021 and of its income and expenditure for the year ended 31 March 2021.

Victoria Worsfold  
Deputy Chief Financial Officer  
27/07/2023

# **GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21**

**Independent Auditor's Report To The Members of Guildford Borough Council**

**Report on the Audit of the Financial Statements – to follow**

# GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

## Chief Financial Officer's Narrative Report

### Financial Performance during the year – General Fund Revenue

I have pleasure in presenting the Council's Statement of Accounts for the financial year 2020-21.

The overall financial climate continues to be difficult and is likely to remain so for a number of years. Local Government, which is continuing to play its part in helping to address the national funding deficit following the 2008 financial crisis, now has the greater challenge of coping with the outbreak of the worldwide pandemic Covid19. Over the last 10 years each Council has been required to continue to deliver services with fewer resources, that challenge is unlikely to get easier in the future. During this time, Guildford Borough Council ("the Council") has continued to maintain its focus on robust planning and monitoring of the budget and identification of efficiency savings for the future.

The Council's settlement funding assessment for 2020-21 from Central Government was an increase of 1.6% (2019-20 increase was 2.3%). This followed reductions of:

- 2011-12 15.2%
- 2012-13 12.6%
- 2013-14 6.6%
- 2014-15 16.8%
- 2015-16 15.0%
- 2016-17 18.1%
- 2017-18 18.6% and
- 2018-19 10.8%

The budget for 2020-21 did not include any new investment in services but instead focussed on investment in ICT and business process re-engineering under the Future Guildford transformation programme, in order to deliver the savings required to balance the Council's budget over the medium term. The Future Guildford transformation programme, approved by Council in February 2019 proposed a one-off investment of £13.4 million of earmarked reserves in order to deliver on-going annual revenue savings of up to £10.2 million per annum by 2023-24. Other one off growth items were included in the budget for the development of a town centre masterplan, carbon emissions strategy, drinking water filling points and oak processionary moth funded from reserves.

The net budget requirement for the year 2020-21 was set in February 2020 at £49,046,533 an increase of £3.8 million from the Council's 2019-20 net budget requirement of £45,264,844. The net budget requirement is the amount the Council expects to spend after allowing for income from sources such as direct grants, fees, charges and rents but excludes income from revenue support grant, business rates and adjustments relating to the collection fund balance.

The net budget figure above excludes the precept requirements of the Parish Councils, which was £1,876,544 (2019-20 precept requirements were £1,740,697, an increase of 7.8%).

The Borough Council's band D council tax was set at £176.82, an increase of £5 (2.91%) from 2019-20. The report to Council on 05 February 2020, available on the Council's website, provides further details about the Council's budget for 2020-21.

We monitored performance against the budget closely through the year with particular attention paid to our key services (Development Control, Planning Policy, Industrial Estates, Investment Property, Leisure Management, Off Street Parking, Parks and Countryside and Refuse and Recycling), control of salaries and achievement of the efficiency savings included in the budget.

## GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

The Final Accounts report, presented to the Executive on 24 August 2021 and is available on the Council's website, gives a detailed analysis of the variances in service expenditure.

The Council receives investment income from our cash backed reserves. As at 31 March 2021, we had around £159 million invested. Overall, net interest payable in the year were approximately £1.1 million lower than anticipated at £2.8 million. The Capital and Investment Outturn Report was reported to Executive on 24 August 2021, available on the Council's website provides further information about the Council's investment and borrowing activity during the year and our performance against our prudential indicators.

In setting the 2020-21 budget, a minimum revenue provision of £1.639 million was assumed. The actual minimum revenue provision was £1.288 million which is approximately £351,000 less than budgeted.

Overall the net expenditure on the General Fund was higher than the original estimate to the value of £5.6 million, which has been funded by utilising the following earmarked reserves:

<b>Earmarked Reserve</b>	<b>Amount Used £</b>
New Homes Bonus	2,387,708
Carry forward reserve	276,300
Car Parks Maintenance reserve	861,158
Legal actions reserve	812,223
Budget Pressures reserve	1,309,130
<b>Total</b>	<b>5,646,519</b>

This is lower than the £6.3 million reported in the outturn reports due to the accounting implications of Covid-19 grants being different to the final outturn figures.

### Financial Performance during the year – Capital Expenditure

Capital expenditure in the year totalled £42.1 million. The major areas of capital spend are shown in the table below:

	<b>Original estimate (£'m)</b>	<b>Actual (£'m)</b>	<b>Variance (£'m)</b>
Non-housing approved programme	84.2	27.7	(56.5)
Non-housing provisional programme	83.3	0.0	(83.3)
Schemes financed from reserves	4.0	1.7	(2.3)
<b>Total General Fund</b>	<b>171.5</b>	<b>29.4</b>	<b>(142.1)</b>
Housing approved Capital programme	14.9	12.7	(2.2)
Housing provisional Capital Programme	12.4	0.0	(12.4)
<b>Total HRA</b>	<b>27.3</b>	<b>12.7</b>	<b>(14.6)</b>
<b>TOTAL General Fund and Housing Capital Expenditure</b>	<b>198.8</b>	<b>42.1</b>	<b>(156.7)</b>

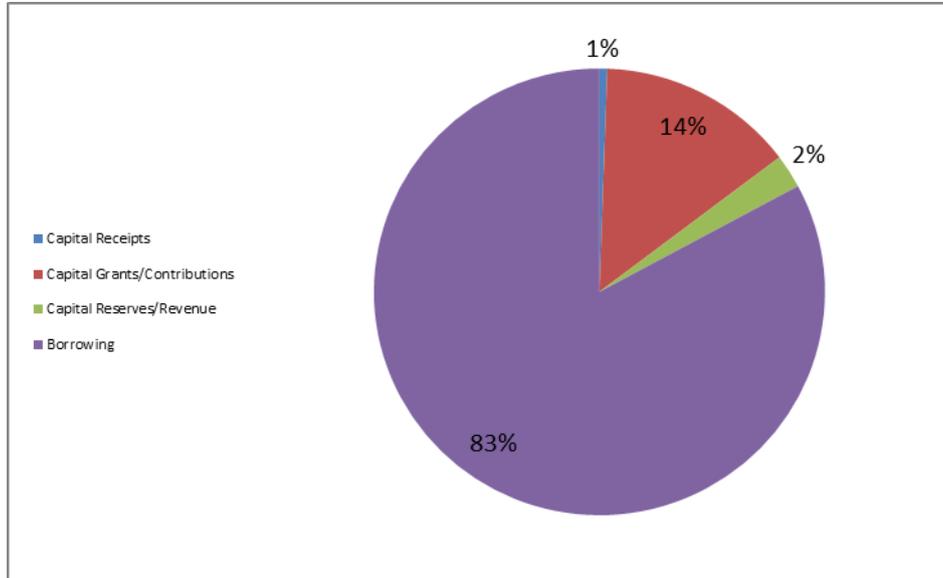
The main areas of capital expenditure (ie, above £500,000) during the year were:

- £10.8 million investment in Weyside Urban Village redevelopment (formerly known as Slyfield Area Regeneration Programme)
- £1.2 million investment in acquisition of Strategic Property
- £4.8 million investment in North Downs Housing (£2.9 million in equity shares and £1.9 million in loans)
- £2.3 million on the Vehicles, Plant and Equipment replacement programme

## GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

- £1.3 million on the replacement of Walnut Bridge
- £0.9 million on a new road bridge over the railway near Ash Station
- £3.4 million investment in the redevelopment of Midleton Industrial Estate
- £1.2 million investment in ICT as part of the Future Guildford transformation programme
- £3.6 million investment in improvements and renovations to HRA property
- £5.2 million on acquisition of new HRA property

The capital expenditure was financed by utilising the following resources:



We only financed £17.4 million of our capital expenditure from existing resources, resulting in an increase to our Capital Financing Requirement, funded by internal borrowing, of £13 million.

Internal sources of funds available at 31 March 2021 to meet future capital expenditure are:

- General Fund capital schemes reserve £nil
- HRA usable capital receipts £8.7 million
- HRA future capital programme reserve £38.2 million
- HRA new build reserve £61.2 million
- HRA Major Repairs Reserve £11.8 million

### Financial Performance during the year - Treasury Management

Our Capital and Investment Outturn report was presented to Executive on 24 August 2021 and is available on our website. The principle value of Investments at 31 March 2021 totalled £159.3 million made up as follows:

## GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

Investment details	Balance at 31-03-21 £m	Weighted Avg Return for Year
<b>Internally Managed Investments</b>		
Fixed Investments < 1 year to cover cash flow	57.50	0.94%
Corporate bonds	2.00	0.17%
Long term bonds	16.10	0.50%
Notice Accounts	3.00	0.39%
Call Accounts	0.33	0.07%
Money Market Funds	39.22	0.13%
Revolving credit facility	0.00	1.47%
Long term investments > 1 year	18.50	1.21%
<b>Externally Managed Funds</b>		
Funding circle	0.50	6.51%
Cash plus	5.00	0.00%
CCLA	6.49	4.81%
RLAM	2.33	2.19%
M&G	3.53	4.45%
Schroders	0.70	7.04%
UBS	2.20	3.95%
City Financials	1.97	0.85%
<b>Total Investments</b>	<b>159.37</b>	<b>1.07%</b>

The book cost of investments is the amount of cash receivable if the investments were to be sold on 31 March 2021. The book cost is different to the amounts shown in note 29 of the financial statements where the investments are shown in accordance with IFRS 9 Financial Instruments. Gross interest received in the year from investments was £2.435 million against a budget of £1.685 million.

During the year we increased the value of temporary borrowing by £74.5 million taken out for cash-flow purposes and replace some internal borrowing. The principal balance outstanding on our external loans (both short-term and long-term) at 31 March 2021 was £310.5 million.

The investment markets remained extremely challenging with the Bank of England decreasing the base rate due to the pandemic and the Council continued its focus on preserving capital whilst optimising interest earnings.

### **Explanation of Key Information contained in the Financial Statements**

Local Authorities are required to prepare their accounts in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code). International Financial Reporting Standards (IFRS) form the basis for the Code, which has been developed by the Local Authority Accounting Code Board comprising members from the Chartered Institute of Public Finance and Accountancy (CIPFA) and Local Authority of Scotland Accounts Advisory Committee (LASAAC), under the oversight of the Financial Reporting Advisory Board (FRAB). The Code constitutes a proper accounting practice under the terms of section 21(2) of the Local Government Act 2003.

The complete set of financial statements is set out on the following pages. The Code prescribes the order of presentation of the financial statements and the Statement of Accounting Policies supports the accounts by explaining the policies used in their preparation. In summary, the financial statements comprise the:

- Expenditure and Funding Analysis (EFA): showing how the Council's annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) in comparison with those resources the Council consumes or earns in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's Directorates.
- Comprehensive Income and Expenditure Statement (CIES): showing the accounting cost in

## GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

the year of providing services in accordance with generally accepted accounting practices. This Statement provides the detail behind the surplus or deficit on provision of services figure included in the Movement in Reserves Statement. The Statement shows the total expenditure and income in the year for all services.

- Movement in Reserves Statement (MIRS): showing the movement in the year on the different reserves held by the Council, analysed into usable reserves (i.e. those that we can use to finance expenditure or reduce local taxation) and other reserves. This Statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return the amounts chargeable to council tax or rents for the year.
- Balance Sheet: showing the value of the Council's assets and liabilities at 31 March 2021. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council.
- Cash Flow Statement: showing the changes in the amount of cash and cash equivalents during the financial year. The Statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.
- Notes to the above Statements: giving a summary of significant accounting policies and other explanatory information. We have split these notes into normal and accounting technical notes to aid the readability of the financial statements for users.
- Housing Revenue Account (HRA) Income and Expenditure Statement: covering income and expenditure relating to the provision of council housing in accordance with Part 6 of the Local Government and Housing Act 1989. The HRA is ring-fenced from the rest of the General Fund. Its primary purpose is to ensure that the expenditure on managing tenancies and maintaining dwellings is balanced by rents charged to tenants so that rents cannot be subsidised from council tax, or vice versa.
- Notes to the HRA: giving explanatory information to the HRA Income and Expenditure statement.
- Collection Fund Revenue Account: showing the transactions of the Council as a billing authority in relation to non-domestic rates and council tax. The Fund shows the way in which these have been distributed to local authorities and the Government on whose behalf Guildford Borough Council collects the amounts due.
- Notes to the Collection Fund: giving explanatory information to the Collection Fund Revenue Account.
- Group accounts: provides a set of account for the Council's wholly owned companies.

### **Expenditure and Funding Analysis (EFA)**

The net expenditure chargeable to the General Fund and HRA balances was a surplus of £15.8 million. £31.7 million adjustments between funding and accounting bases resulted in a deficit reported in the CIES of £15.965 million.

### **Income and Expenditure Statement (CIES)**

The deficit on provision of services was £15.965 million. There was a net total of a surplus on the HRA of £12.275 million, and a deficit on the General Fund of £28.240 million.

Total comprehensive income and expenditure was £32 million expenditure, compared to £3.2 million income in 2019-20. The difference is mainly due to Covid-19 impact on the Council's accounts.

### **Movement in Reserves Statement (MIRS)**

The MIRS shows that a surplus of £12.275 million is added to the HRA and a deficit of £28.240 million taken from the General Fund. £37.9 million is added to the General Fund and £6.1 million taken from the HRA as a result of adjustments made under statutory regulations.

£53.5 million of the GF balance of £57.3 million as at 31 March 2021 is held in reserves earmarked for specific purposes. The remaining £3.7 million is held as unallocated funds. In the case of the HRA, £98.1

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million of the balance of £100.5 million is held in earmarked reserves, leaving an unallocated balance of £2.5 million.

### Balance Sheet

The Balance Sheet shows that our long-term assets have increased in value during the year by 0.9% from £990.9 million to £999.9 million. This is due to a £14.9 million increase in value of the Council's property portfolio on revaluation during the year and net additions, and long-term debtors (£4 million), offset by a reduction in long-term investments (£10 million).

Current assets have increased by 112.6% from £87.7 million to £186.6 million, mainly due to a increase in short-term investments (including those classified as cash equivalents) from £73.8 million to £133.9 million, short term debtors from £13 million to £52.2 million, partly offset by selling assets held for sale of £431,000. After our liabilities are taken into account, our net assets have decreased by 4.62% from £691.3 million to £659.4 million.

We had an increase in our usable reserves of £12.96 million, and an decrease in our unsable reserves of £44.9 million.

### *Pension liability*

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. The Council participates in the Local Government Pension Scheme administered by Surrey County Council – this is a funded 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.

Hymans Robertson LLP, completed a triennial review of the fund at 31 March 2019 which set the employer contribution rates for 2020-21 to 2022-23. The triennial valuation of the pension scheme showed that the overall deficit on the pension fund has reduced from £679 million at 31 March 2016 to £196 million at 31 March 2019 increasing the funding level of the scheme from 83% to 96% over the period. Guildford's share of the deficit was £37 million at 31 March 2016 but had reduced to £19 million at 31 March 2019 and the funding level has increased from 80% to 91% for Guildford. The main reason for the increase is due to increased investment returns on the pension scheme assets. Employer contributions are split between:

- the primary rate, which is expressed as a percentage of pay. The valuation report proposed that this rises from 15.1% to 17.2% due to a weaker outlook for investment returns in the future and the additional pressure placed on scheme liabilities and funding plans to allow for the 'McCloud' ruling, and,
- a secondary rate which is an annual cash contribution to the scheme, the secondary rate has remained stable at around £2.2 million per annum, due to the increase in investment assets of the scheme.

The Council accounts for pension costs, in its financial statements, based on International Accounting Standard (IAS) 19; Employee Benefits. This standard requires that the cost of retirement benefits are reported when they are earned by employees rather than when the benefits are paid as pension.

Legislation prevents this cost affecting council tax and housing rent levels, which are based on the cash payable in the year. The accounts include an adjustment for the difference in the form of a transfer to or from a statutory pensions reserve.

The accounts, based on IAS 19, show a total pension fund liability of £143 million (£113.5 million in 2019-20) which has a substantial impact on the net worth of the authority as recorded in the balance sheet. The position, as valued by IAS 19 differs to that reported as part of the triennial valuation principally because the accounting standard requires that the discount rate is set with reference to the yields on high quality corporate bonds irrespective of the actual investment strategy of the Fund. As such the IAS 19 valuation of the Fund is unlikely to reflect the eventual cost of providing the benefits and does not affect the level of

## GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

contributions to the fund from either the employees or the Council. Statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy; the deficit will be made good by contributions over the remaining working life of employees as assessed by the scheme actuary. It is important to remember that pensions are long-term assets and liabilities and the IAS 19 figures disclose the position at a point in time based on the actuaries' financial assumptions.

### *Reserves, Balances and Provisions*

We are not required to include a full list of reserves and balances in the Statement of Accounts, however we included one the Final Accounts report to the Executive on 20 September 2021. Transfers to and from the reserves have been made during the year as appropriate and can be seen at Note 11 to the accounts.

We maintain a bad debt provision at a suitable level including sufficient provision to meet all likely non-collectable local taxation.

### **Assessment of Going Concern and Key Ratio's**

The financial statements show the following measures of the Council's financial position:

Indicator	Definition	2019-20	2020-21
Liquidity Ratio	Current Assets / Current Liabilities	1.09	0.79
Gearing %	Total borrowing / Long Term Assets	24%	31%
Net Debt Expenses as a % Gross Income	Net interest payable + Statutory provision for the repayment of debt / (Gross Service Income + Taxation and Non-specific Grant Income + Investment Property Income)	5%	5%
Borrowing as a % Gross Income	Long Term Borrowing / (Gross Service Income + Taxation and Non-specific Grant Income + Investment Property Income)	128%	119%
General Fund Reserves as % Net Expenditure chargeable to the General Fund	level of GF & GF earmarked reserves / net expenditure chargeable to the general fund	111%	137%
HRA Reserves as % Net Expenditure chargeable to the HRA	level of HRA & HRA earmarked reserves / net income chargeable to the HRA	594%	568%
Council Tax Income as % Gross Income	Council Tax income / (Gross Service Income + Taxation and Non-specific Grant Income + Investment Property Income)	8%	9%
Net Retained Business Rates as % Gross Income	Net Business Rate Income / (Gross Service Income + Taxation and Non-specific Grant Income + Investment Property Income)	2%	-13%
Net Investment Property Income as % Gross Income	Net Investment Property Income / (Gross Service Income + Taxation and Non-specific Grant Income + Investment Property Income)	6%	5%

\* this figure reflects the impact of Covid-19 on the collection fund, where there is an unusually large deficit which will be repaid over the next 3 years.

The table above shows that the Council has a sufficient reserves to meet future expenditure requirements. Its overall gearing level is good, its income is diversified meaning that the Council is not overly reliant on

# GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

one form of income and the level of debt expense is affordable.

(CIPFA) has produced a financial resilience index in response to concerns within the local government sector and central government about the financial resilience of some local authorities following the significant funding reductions incurred by the sector since 2013-14.

The financial resilience index shows how the Council compares to other similar authorities across a basket of financial indicators based on its 2019-20 accounts and a trend analysis of changes since 2017-18. The analysis can be found on the CIPFA Website (<https://www.cipfa.org/services/financial-resilience-index-2022>). Guildford compares well on the analysis to other authorities with the majority of indicators showing that the Council is at medium-low risk of financial stress. As explained above, key determinants of the Council's position are its comparatively high level of reserves, a low reliance on government grant, and a high reliance on council tax, net retained business rates and other locally raised revenue to finance expenditure on delivery of services.

In addition to the CIPFA resilience index the Local Government Association also publish an index of key financial indicators under which Guildford can be compared to all local authorities in the Country or a subset group of them. The data is drawn from statutory 'RA and RO' returns. Comparison of Guildford to all other districts in the South East of England shows that Guildford's total reserves as a proportion of net revenue expenditure is above the mean of other authorities in the comparator group.

The legislative framework around local government in the UK means that the Council's existence (or not) is determined by national legislation setting out how and what level of government services are provided at a local level. The provisions within the CIPFA Code confirm that the legislative framework does not allow any ability to cease being a going concern as described by IAS 1 Presentation of Financial Statements (management deciding to liquidate the entity or cease trading). It will require a change in legislation for the Council to be abolished or to cease trading, at present, there is no such legislation in place proposing such a change. However, even if a statutory change in local government were forthcoming, any assets and liabilities of the Council and its service provision would transfer to a new body. As a result the CIPFA Code of Practice on Local Authority Accounting requires the Council to prepare its accounts on a going concern basis.

## **Collection Fund**

Collection rates for both Council Tax and Business Rates were lower than previous years due to the Pandemic. The council tax collectable debit for 2020-21 was approximately £115 million and 97.5% had been collected by 31 March 2021. At the same time, 95.5% of the collectable debit for non-domestic rates (£45 million) had been collected.

### *Business Rates Retention Scheme*

The Business Rates Retention Scheme (BRRS) allows the Council to benefit financially from any above inflation growth achieved in the level of business rates in our area, but the Government also transferred the risk of a fall in business rates to us and the rate in the pound levied is still controlled by the Government.

The BRRS starts with the Government's assumption of the level of Business Rates nationally and sets an amount known as the NDR Baseline. For Guildford the NDR Baseline was set at £36 million. The Government assessed our baseline funding level at £2.9 million, the difference (£33.1 million) was paid to the Government as a tariff. If Guildford's actual business rate income is higher than the NDR Baseline then the Council is required to pay a levy of 50% of the additional income to central Government.

When we set our 2020-21 budget, we projected the business rate income we would receive £86.7 million (the Council's 40% share is £34.7 million) and provided this estimate to the government in our NNDR 1 return. At the end of the year, we update the data based on actual income (£38.5 million of which the Council's share is £15.4 million) and inform the government in our NNDR 3 return. The significant difference between the actual and estimated income for 2020-21 relates to the COVID19 pandemic and the significant level (£43.9 million) of business rate relief the Council provided to businesses for which it has

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received a Section 31 grant from government to compensate for the loss of income.

The amount we recognise in the Income and Expenditure Statement for business rate income for 2020-21 is the amount we projected on the NNDR1 return, i.e., our budgeted amount; however, the amount we actually received (and reported on our NNDR3 return) is recognised in the Collection Fund. The government has legislated that local authorities reverse the impact on the general fund of any difference in business rate income through the surplus/deficit on the Collection Fund and an adjustment to the Collection Fund Adjustment Account on the MIRS. The difference between what we estimated and received therefore forms part of the surplus or deficit on the Collection Fund and will be taken into account in setting the budget for 2021-22. Due to the £43.9 million business rate relief granted in 2020-21 from the collection fund there is a significant deficit of £59 million on the Council's collection fund for 2020-21. The Council's share of this deficit is £23.9 million and this has been taken into account when setting the budget for 2021-22. The Section 31 grant received in respect of the business rate relief has been credited to the Income and Expenditure statement and transferred to an earmarked reserve at the year end to offset the deficit which will be charged to the Income and Expenditure statement in 2021-22.

The Council has calculated a total provision of £11.3 million for appeals is required as at 31 March 2021, of which the Council's share is £4.55 million (40%).

The table below shows the difference between the actual and estimated income from business rates and the resulting impact on the levy payment:

<b><u>Business Rates Retention Summary [zero impact]</u></b>	<b>Budget</b>	<b>2020-21 Actual</b>	<b>2020-21 Variance</b>
		<b>£0</b>	<b>£0</b>
BRRS – tariff	33,119	31,844	(1,275)
Business Rates levy payment to MHCLG	811	(261)	(1,072)
BRRS - equalisation reserve transfer	(947)	18,324	19,271
	<b>32,983</b>	<b>49,907</b>	<b>16,924</b>
BRates Collection fund deficit	(4,140)	(4,140)	0
BRRS - s31 grant	(1,959)	(18,871)	(16,912)
BRRS - retained income	(34,713)	(34,713)	0
<b>BRRS - net position</b>	<b>(7,829)</b>	<b>(7,817)</b>	<b>12</b>

The Council's current policy is to transfer any gain or loss on business rates to the business rates equalisation reserve to help smooth the volatility in income from business rates under the BRRS and to help us manage the fluctuations in our business rate income that will occur as we carry out our development plans for the town centre.

### **Housing Revenue Account (HRA)**

The Statement of Accounts contains details of the HRA income and expenditure, which is ring-fenced from the General Fund. The HRA outturn report was presented to the Executive on 24 August 2021 and the report is available on the Council's web site.

The table below shows the main variances between the budgeted and actual operating surplus for 2020-21 under the key headings.

## GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

Housing Revenue Account	2020/21 budget £000	2020/21 Actual £000	Variance £000
Rental Income	(31,051)	(30,894)	157
Other Income	(1,274)	(1,295)	(21)
<b>Total Income</b>	<b>(32,325)</b>	<b>(32,189)</b>	<b>136</b>
Expenditure on Housing services	10,448	11,004	556
Depreciation	5,525	5,686	161
Revaluation	0	(79)	(79)
Other Expenditure	809	(1,196)	(2,005)
Interest Payable / (receivable)	4,544	4,890	346
<b>Surplus for the year</b>	<b>(10,999)</b>	<b>(11,883)</b>	<b>(885)</b>
HRA Balance brought forward	(2,500)	(2,500)	0
Transfer to reserves	10,999	11,883	(885)
<b>Balance carried forward</b>	<b>(2,500)</b>	<b>(2,500)</b>	<b>0</b>

At year end we transferred £2.5 million to the reserve for future capital programmes and £8.5 million to the new build reserve. The surplus on revaluation was transferred to the capital adjustment account in line with the CIPFA code of practice. The HRA working balance at year-end remains at £2.5 million.

Rental income from dwellings was £157,000 (0.5%) below the estimate. The service has seen rent loss due to voids but rent collection levels on occupied property remains good.

Expenditure on housing services was higher than budgeted by £556,000. The budget provides for both planned and responsive repairs, so an element of demand driven cost is inherent in the expenditure. Void units typically incur additional repair and improvement expenditure in order to prepare them for re-letting.

HRA Investment income is £586,000 lower than the estimate due to the risk free rate of investment being at very low levels.

The Council has clearly stated its ambition to increase the number of affordable homes in the borough and work is underway to bring forward a number of development opportunities. A combination of useable one-for-one receipts and capital receipts have been used to finance capital expenditure on the new build programme.

### Other Performance during the year

Performance management is a key part of delivering successful services and performance indicators help the Council define and measure progress towards our strategic priorities. Individual service and project managers collect and monitor key performance information. During 2020-21 the Council updated its corporate priorities and re-launched its corporate performance monitoring process. We now make regular quarterly reports to the Corporate Governance and Standards Committee (CGSC) on performance monitoring across a range of indicators that allows the Council to assess its performance against the corporate plan priorities. The final quarterly monitoring report for Quarter 4 2020-21 was reported to the [CGSC](#) in June 2021. 15 of the key corporate performance indicators are benchmarked across the Surrey District Council's. The benchmarking reports are presented to the Surrey Chief Executives group each year. Guildford's performance against the 15 key performance indicators benchmarked across Surrey is as follows:

## GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

Indicator	Ref	2019-20	2020-21
1. Council Tax Collected	COM10	98.60%	97.53%
2. NNDR Collected	H&J12	97.80%	95.48%
3. Invoices paid on time	COU3	88.37%	84%
4. Processing of 'major' planning applications within 13 weeks (average of 4 quarters)	COU10	97.20%	91.92%
5. Processing of 'minor' planning applications within 8 weeks (average of 4 quarters)	COU11	91.70%	80.33%
6. Appeals dismissed against the Council's refusal of planning permission (average of 4 quarters)	COU13	76.30%	82%
7. Number of Households living in temporary accommodation	COM7	44	35
8. Housing Advice – homelessness prevented (cases resolved)(aggregate of 4 quarters)	COM9	800	174
9. Days taken to process Housing Benefit / Council Tax support claims (average of 4 quarters)	COU5	8 days	11.64
10. Number of affordable homes completed (aggregate of 4 quarters)	H&J4	36	78
11. Food businesses with 'scores on the door' of 3 or over	H&J11	97.20%	98.53%
12. % Household waste recycled and composted	ENV1	59.7%	55.8%
13. Kilograms of residual household waste collected per household from the kerbside (aggregate of 4 quarters)	EMV2	354	393.79
14. Staff sickness absence (all)	COU1	7.7 days	6 days
15. Staff turnover	COU2	14.8%	14.2%

Over recent years, the Council has undertaken a programme of service challenges and senior management restructures. This has reduced our staffing levels as shown in the table below.

### Full time equivalent (FTE) number of staff

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Office based staff	502.7	480.4	530.7	490.2	487.8	471.4	471.4	452.6	432.2	412.9
Manual staff	232.2	240.0	182.6	214.8	220.2	228.2	223.1	217.3	212.8	204.9
<b>Total</b>	<b>735.0</b>	<b>720.4</b>	<b>713.4</b>	<b>705.0</b>	<b>708.0</b>	<b>699.6</b>	<b>694.8</b>	<b>670.0</b>	<b>645.0</b>	<b>617.8</b>

### Issues affecting the Council's Future

My Chief Finance Officer's report on the 2020-21 Budget, presented to Council in February 2020, is on our website ([CFO report](#)).

This report contains an overview of local government funding, the economic outlook, the Council's corporate plan and their impact on the Council's finances. The report concluded that the Council had a potential funding gap of £3.3 million over the medium-term period to 2023-24. However, since the report was approved there has been a significant change in events arising from the global pandemic Covid-19 and its impact on the UK.

Councils, like Guildford Borough Council, are category one responders under the Civil Contingencies Act 2004, which sets out the legislative framework for responding to emergencies such as the Covid-19 outbreak. As part of the local resilience forum (LRF), councils work with local partner organisations to plan and activate their emergency responses. LRFs are based on police areas and so Guildford, along with all the other District and Borough Councils, Surrey County Council, Surrey Police, Surrey Fire and Rescue Service and local NHS bodies are all category one members of the Surrey Local Resilience Forum (SLRF).

## GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

This means that the Council has had a vitally important role in responding locally to Covid-19, to save lives, protect the NHS, and ensure our residents are protected wherever possible. We also have a duty to ensure that crucial council services continue to operate in these unprecedented times. The Council's response to the pandemic has been intense and wide ranging across a number of critical services.

Guildford Borough Council activated both its Borough Emergency Plan (as part of the declaration of a Major Incident in Surrey) and its business continuity plan to ensure we can continue to deliver critical front-line services. Our critical front-line services are:

- Housing & Homelessness Services,
- Waste, Refuse & Recycling,
- Street Cleaning,
- On-street parking management for Highways
- CCTV
- Bereavement Services,
- Emergency Licensing, Food Safety and Pest Control,
- Business Rates, Council Tax and Benefits,
- Emergency planning and response,
- Customers services and communications.

In addition, support services such as HR, Finance and ICT were also required to enable the provision of critical front-line services.

Where possible, other Council services not in the list above e.g., Planning, continued to operate where officers were able to work remotely at home. However, many services operated at reduced levels due to activity levels being lower than normal and the need to redeploy staff to support the emergency response. Some Council services, such as Heritage and Museum services, Spectrum Leisure Centre, Day and Community Centres were forced to close through government legislation. Due to a lack of demand and government guidance, the Council also removed parking charges for a period of 3 months.

In supporting the Emergency response through the LRF, the Council introduced a number of new and enhanced services to support the most vulnerable individuals and communities and to respond to the pandemic emergency. This included:

- Establishing a Surrey wide Community Hub at Spectrum leisure centre on behalf of Surrey County Council to coordinate measures to support vulnerable people in Surrey and 'shield' them from Covid-19,
- Establishing 'Locality Hubs' at Park Barn and Shawfield Day Centres to support our day centre, meals on wheels, sheltered and supported housing clients, and other people self-referred to us as needing help, with food parcels, meals on wheels and welfare calls
- Procuring and placing homeless households and rough sleepers in hotel accommodation and providing meals and food parcels to them
- Procuring and placing people discharged from hospital in suitable accommodation and ensuring they have support and food
- Procuring and placing people discharged from the probation service and prison in suitable accommodation and ensuring they have support and food
- Expanded and scaled up operations at the Crematorium to deal with Excess Deaths
- Providing significant business rate relief and grants to local businesses in line with the government schemes
- Providing hardship funding for Council tax and administering an increase in claimants for the local council tax support scheme
- Providing general advice to the public and specific advice to individuals suffering hardship as a result of Covid-19

## GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

From a Business Continuity perspective, the Council, like many other organisations, has had to rapidly enable officers and Councillors to work from home on a large scale. A significant proportion of the Council's officers are classed as Key Workers and continued to attend their normal places of work and carry out their roles if it was not possible to carry out their jobs from home. However, in order to ensure the safety and health of our staff, we have taken as many precautionary steps as possible to reduce the risk to their health of carrying out their roles. This included closing our offices and enabling officers to work from home en-masse where possible. We have also taken steps to ensure that where staff have to attend a place of work or are providing frontline services to the public, that we are able to implement, as far as possible, social distancing and provide appropriate personal protective equipment where risk assessments have identified a need to do so.

Expenditure in respect of the additional services that the Council has introduced has been shown as 'Exceptional item' within the Council's Income and Expenditure account. The Council has also received some exceptional support grants from the government to offset some of this expenditure which has been shown as Exceptional income. In the Council has seen a material loss of income across fees and charges income within services. This income loss has been partially offset against a £7.5 million 'sales, fees, and charges compensation grant'. The grant income has been apportioned to the relevant services to which the claim for loss of income related and is therefore shown within the service lines within the net cost of services on the income and expenditure account.

The Council has not seen a significant increase in sickness levels as a result of the Covid-19 crisis, this may in part be due to the ability for staff to work from home and so were able to self-isolate effectively.

The Covid-19 crisis has had a significant impact on the financial position of the Council. On 5 May 2020, I reported an emergency budget to Council to inform Councillors of the forecasted potential impact on the Council from the increased costs of service provision and significant reduction in income as a result of a number of services being closed. The main areas of extra costs have been in relation to operator support for the Leisure centre, homelessness and food parcels. The main impact on the Council's income has been a significant reduction in fees and charges income from services, mainly car parking. The Council's investment property income has not seen a significant fall in income. The report is available on our website ([Emergency Budget](#)). Estimates for the financial impact on the Council's general fund were between £5 million and £15 million, with a 'best estimate' of the impact at £8.7 million. The situation was closely monitored through financial monitoring reports to Corporate Governance and Standards committee through the year. The outturn position presented to the committee in August 2021 was within the estimation range and in line with the 'best estimate' however, the assumptions for best estimate and the actual experience were very different. The emergency budget report approved for a supplementary estimate of up to £15 million to be taken from reserves but this would only be drawn down if there was a gap in government funding of the costs and lost income and Officers could not identify cost savings in year to address the shortfall. The report recognised that the scale of the financial impact was such that there was a high risk of being unable to identify sufficient cost savings to mitigate the impact in one year and that some use of reserves would be necessary. The Council's level of reserves at the start of the financial year were sufficient to accommodate the impact of Covid-19 however, there will be a need to rebuild reserves over the course of the medium term financial plan to the minimum level identified in our financial risk register (currently £10 million). As a result, there is no immediate risk to the financial sustainability of the Council.

In addition to the immediate impact on the GF, collection rates for Council Tax and Business Rates are significantly lower for 2020-21 than the rates reported above for 2019-20. This is due to financial hardship of businesses and households in the borough. We saw a growth in claims for Local Council Tax Support during the year. In addition, in order to administer the significant grants and hardship funds that were provided by the government, the Council suspended normal debt recovery activity for accounts which have fallen into arrears for the first 3 months of the year and has entered into revised payment plans on a case by case basis to help those in hardship. For businesses, the Council granted £43 million of business rate relief (for which it received a section 31 grant) and also paid grants under a variety of grant schemes to businesses. For many of these grants, the Council acted as an agent for the government and so the income and expenditure on the grant schemes has been accounted for within the Council's balance sheet.

## **GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21**

Any unspent grant monies which will need to be returned to the government is shown as a receipt in advance in note 19. However, the discretionary grants were grants where the Council acted as principal and made the decisions as to the award criteria. These grants are shown within the exceptional items on the income and expenditure statement and any unspent grant monies at the balance sheet date have been transferred to an earmarked reserve to be used in 2021-22. The section 31 grant in respect of the business rate relief has also been credited to the income and expenditure statement and then transferred to an earmarked reserve to offset the collection fund deficit in 2021-22. Due to the carry forward of unspent grant monies, the Council's reserves look higher than anticipated at the balance sheet date.

### **Financial Risks**

The Council faces many financial risks, which are identified in the financial risk register published as part of the 2020-21 Budget on 5 February 2020 (see [Risk Register](#)). The Financial Risk Register quantifies the risks and demonstrates that the general reserves and those held for risk management purposes are adequate to cover the risks. Whilst the risk register did include anticipation of a Major Event or Civil Incident, it did not quite anticipate the impact of Covid-19.

The major risks are:

1. Financial and economic impact of the Covid-19 Pandemic
2. Financial and economic impact of Brexit
3. Other national economic volatility and the impact on the Council's income streams.
4. Delivery of savings and income.
5. Affordability of Regeneration schemes.
6. Affordability of the Council's Capital Programme.
7. Business rates retention scheme volatility.
8. Fair Funding Review of Local Government Finance.
9. Financial sustainability of Surrey County Council.

### **Auditors remuneration**

Details relating to the remuneration of Auditors of the Council are shown in note 9 to the Statement of Accounts.

### **Conclusion**

The Council has been able to maintain a high level of performance in the delivery of its services during 2020-21, and at the same time maintain its reserves and provisions to a level adequate to meet all known liabilities and invest in transformational change.

There are significant challenges for us in the future, particularly as a result of the Covid-19 Pandemic and Brexit. At the same time the Council has exciting but challenging plans for the regeneration of the town and borough.

The Council is well placed to meet these challenges and has a transformation programme in place to deliver savings for future years.

Victoria Worsfold  
Deputy Chief Financial Officer  
27/07/2023

Bob Hughes  
Vice chairman, Corporate Governance & Standards Committee  
27/07/2023

# GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

## General Accounting Policies

This section sets out general accounting policies used to prepare the statement of accounts of Guildford Borough Council and its group. Accounting policies that are used to report on specific balances or transactions are set out in the accounting notes for the relevant balance or transaction.

### 1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2020-21 financial year and its position at the year-end of 31 March 2021. The Accounts and Audit (England) Regulations 2015 require the Council to prepare its annual Statement of Accounts in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21, supported by International Financial Reporting Standards (IFRS).

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

The accounts have been prepared on a going concern basis on the assumption that the functions of the Council will continue in operational existence for the foreseeable future.

### 2. Group Accounts

Guildford Borough Council is the ultimate parent of two wholly owned subsidiaries, Guildford Borough Council Holdings Company Limited and North Downs Housing Limited. Both companies have a year end of 31 March. For 2020-21 elements of their financial statements are material to the statement of accounts of the Council. As a result, group accounts have been prepared. This is the second year that the Council has prepared Group Accounts.

### 3. Accruals of Income and Expenditure (debtors and creditors)

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

- revenue from contracts with service recipients, whether for services or for the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- 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 based on the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract
- where revenue 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. 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.

The de-minimis for these are £1,000

### 4. Accounting practice for Council Tax and Business Rates

Guildford Borough Council is a billing authority for council tax and business rates. This means that we:

- act as an agent, collecting council tax and business rates on behalf of the major preceptors (Surrey County Council, Surrey Police and Crime Commissioner and, for business rates only, central government) and

## GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

- as a principal, collecting council tax and business rates for the Council itself.

The Council is required by statute to maintain a separate fund (the Collection Fund) for the collection and distribution of amounts due in respect of council tax and business rates. 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.

The council tax and business rate income included in the Comprehensive Income and Expenditure Statement (CIES) is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and business rates that must be included in the authority's General Fund. Therefore, the difference between the income included in the CIES 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 (MIRS).

The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and business rates relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals. Where these balances are impaired (because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made) the asset is written down and a charge made to the Taxation and Non-Specific Grant Income line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

The Council recognises a creditor in its Balance Sheet for cash collected from taxpayers and businesses on behalf of major preceptors but not yet paid to them, or a debtor for cash paid to major preceptors in advance of receiving the cash from council tax payers and business rate payers.

### 5. Material Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the CIES or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

### 6. Charges to Revenue for Non-Current Assets

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

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

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

### 7. Events after the Reporting Period

Events after the Reporting Period are those events, both favourable and unfavourable, that occur between the end of the reporting period (31 March 2021) and the date when the Statement of Accounts was authorised for issue by the Chief Financial Officer on 15 October 2021. Two types of events can be identified:

## GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

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

Only one event came to light after 15 October 2021 that has been reflected in the Statement of Accounts.

### 8. **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.

### 9. **VAT**

Income and expenditure exclude any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from it.

### 10. **Fair Value Measurement**

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

- 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.

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 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 to the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

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

## GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

### Comprehensive Income and Expenditure Statement (CIES)

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation or rents. Authorities raise taxation and rents to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis (EFA) and the Movement in Reserves Statement (MIRS).

			2019-20					2020-21
Gross Expenditure	Gross Income	Net Expenditure		Notes	Gross Expenditure	Gross Income	Net Expenditure	
£000	£000	£000	Directorate		£000	£000	£000	
26,551	(1,846)	24,705	Strategy		22,467	(1,623)	20,844	
78,780	(57,479)	21,300	Services		75,242	(50,976)	24,266	
3,669	(182)	3,487	Resources		11,650	(200)	11,450	
23,603	(32,250)	(8,647)	Housing Revenue Account		16,270	(32,013)	(15,743)	
0	0	0	COVID expenditure		7,466	(6,359)	1,107	
<b>132,603</b>	<b>(91,758)</b>	<b>40,845</b>	<b>Cost of Services</b>		<b>133,095</b>	<b>(91,172)</b>	<b>41,924</b>	
		6,202	Other operating expenditure	3			364	
		2,815	Financing and investment income and expenditure	4			(1,311)	
		(25,904)	Taxation and non-specific grant income	5			(25,011)	
		<b>23,958</b>	<b>(Surplus) / Deficit on Provision of Services</b>				<b>15,965</b>	
		(9,185)	(Surplus) / Deficit on revaluation of Property, Plant and Equipment assets	23			(13,492)	
		(11,489)	Remeasurements of the net defined benefit liability	23			29,493	
		<b>(20,673)</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>16,001</b>	
		<b>3,285</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>31,966</b>	

The internal structure of the Council changed in 2020-21 and as such the 2019-20 figures across directorates have been restated to reflect the new structure as required under the Accounting Code of Practice.

## GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

### Movement In Reserves (MIRS)

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax or rents for the year. The net increase / (decrease) line shows the statutory General Fund (GF) Balance and Housing Revenue Account (HRA) balance movements in the year following those adjustments.

	<b>General Fund Balance £000</b>	<b>Housing Revenue Account £000</b>	<b>Capital Receipts Reserve £000</b>	<b>Major Repairs Reserve £000</b>	<b>Capital Contributions Unapplied £000</b>	<b>Total Useable Reserves £000</b>	<b>Unusable Reserves £000</b>	<b>Total Reserves £000</b>
<b>2020-21</b>								
<b>Balance at 31 March 2020</b>	<b>47,741</b>	<b>94,345</b>	<b>13,931</b>	<b>9,853</b>	<b>560</b>	<b>166,429</b>	<b>524,894</b>	<b>691,323</b>
<b>Movement in Reserves during 2020-21</b>								
Total Comprehensive Income and Expenditure	(28,240)	12,275	0	0	0	(15,965)	(16,001)	(31,966)
Adjustments between accounting basis & funding basis under regulations (Note 22)	37,864	(6,113)	(5,030)	2,025	176	28,922	(28,922)	0
<b>Increase/(decrease) in 2020-21</b>	<b>9,624</b>	<b>6,162</b>	<b>(5,030)</b>	<b>2,025</b>	<b>176</b>	<b>12,957</b>	<b>(44,923)</b>	<b>(31,966)</b>
<b>Balance at 31 March 2021 carried forward</b>	<b>57,365</b>	<b>100,507</b>	<b>8,901</b>	<b>11,878</b>	<b>736</b>	<b>179,386</b>	<b>479,970</b>	<b>659,357</b>
<b>2019-20</b>								
<b>Balance at 31 March 2019</b>	<b>48,113</b>	<b>86,418</b>	<b>20,519</b>	<b>9,235</b>	<b>690</b>	<b>164,974</b>	<b>529,635</b>	<b>694,609</b>
<b>Movement in Reserves during 2019-20</b>								
Total Comprehensive Income and Expenditure	(27,831)	3,872	0	0	0	(23,959)	20,673	(3,286)
Adjustments between accounting basis & funding basis under regulations (Note 22)	27,458	4,055	(6,588)	618	(130)	25,414	(25,414)	(0)
<b>Increase/(decrease) in 2019-20</b>	<b>(372)</b>	<b>7,927</b>	<b>(6,588)</b>	<b>618</b>	<b>(130)</b>	<b>1,455</b>	<b>(4,741)</b>	<b>(3,286)</b>
<b>Balance at 31 March 2020 carried forward</b>	<b>47,741</b>	<b>94,345</b>	<b>13,931</b>	<b>9,853</b>	<b>560</b>	<b>166,429</b>	<b>524,894</b>	<b>691,323</b>

# GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

## Balance Sheet

The Balance Sheet shows the value as at 31 March of the assets and liabilities recognised by the Council. Net assets of the Council (assets less liabilities) match the reserves, and are reported in two categories:

- usable reserves - those the Council may use these to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt), and
- unusable reserves - those the Council are not able to use these to provide services. This category includes reserves that:
  - hold unrealised gains and losses (e.g. the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and
  - reserves that hold timing differences shown in the MIRS line '*Adjustments between accounting basis and funding basis under regulations*'.

31 March 2020		Notes	31 March 2021
£000			£000
780,797	Property, Plant & Equipment	12	789,264
3,575	Heritage Assets	13	3,762
153,413	Investment Property	14	159,108
2,299	Intangible Assets	15	2,857
42,170	Long-term Investments	29	32,148
8,717	Long-term Debtors	29	12,789
<b>990,971</b>	<b>Long Term Assets</b>		<b>999,928</b>
59,189	Short-term Investments	29	93,253
431	Assets held for sale	16	0
439	Inventories		381
13,071	Short Term Debtors	17	52,264
14,633	Cash and Cash Equivalents	18	40,655
<b>87,763</b>	<b>Current Assets</b>		<b>186,553</b>
(44,492)	Short Term Borrowing	29	(163,772)
(33,158)	Short Term Creditors	19	(66,699)
(3,758)	Provisions	20	(5,959)
<b>(81,408)</b>	<b>Current Liabilities</b>		<b>(236,430)</b>
(192,435)	Long Term Borrowing	29	(147,435)
(113,567)	Other: Pension Fund	26	(143,258)
<b>(306,002)</b>	<b>Long Term Liabilities</b>		<b>(290,693)</b>
<b>691,324</b>	<b>Net Assets</b>		<b>659,358</b>
166,429	Usable Reserves	MIRS	179,386
524,895	Unusable Reserves	23	479,971
<b>691,324</b>	<b>Total Reserves</b>		<b>659,358</b>

## GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

### Cash Flow Statement

The Cash Flow Statement shows how the Council generates, uses and the changes in cash and cash equivalents of the Council during the reporting period.

Cash flows are classified as operating, investing and financing activities.

- the amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council.
- investing activities represent the extent to which cash outflows have been made for resources that are intended to contribute to the Council's future service delivery.
- cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (that is borrowing) to the Council.

The cash flow statement shows cash and cash equivalents net of bank overdrafts that are repayable on demand and form an integral part of the Councils cash management.

<b>2019-20</b>	<b>2020-21</b>
<b>£000</b>	<b>£000</b>
<b>OPERATING ACTIVITIES</b>	
(23,959) Net surplus/(deficit) on the provision of services	(15,966)
63,063 Adjustments for non-cash movements (Note 21)	(918)
(21,736) Adjustments for items included in the net surplus that are investing and financing activities (Note 21)	(13,406)
<b>17,368 Net cash flows from Operating Activities</b>	<b>(30,290)</b>
<b>INVESTING ACTIVITIES</b>	
(35,755) Payments for additions to long term assets	(23,462)
(79,255) Payments for purchase of investments	(109,401)
(3,566) Other payments for investing activities	(1,973)
15,753 Proceeds from the disposal of long term assets	4,559
60,127 Proceeds from disposal of investments	85,164
7,667 Other receipts from investing activities	10,038
<b>(35,029) Net cash flows from Investing Activities</b>	<b>(35,075)</b>
<b>FINANCING ACTIVITIES</b>	
72,000 Cash receipts of short and long-term borrowing	191,000
(4,653) Other payments from financing activities	17,132
(48,236) Repayments of short and long-term borrowing	(116,746)
<b>19,111 Net cash flows from financing activities</b>	<b>91,386</b>
<b>1,450 Net increase/(decrease) in cash and cash equivalents</b>	<b>26,021</b>
13,184 Cash and cash equivalents at the beginning of the reporting period	14,634
<b>14,634 Cash and cash equivalents at the end of the reporting period (Note 18)</b>	<b>40,655</b>

# GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

## Notes To The Accounts

### 1a). Expenditure And Funding Analysis (EFA)

The EFA shows how the Council's annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) in comparison with those resources the Council consumes or earns in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision-making purposes between the Council's Directorates.

- Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the CIES and the Housing Revenue Account (HRA).
- The split of the balance between the General Fund (GF) and the Housing Revenue Account (HRA) is set out in the MIRS.

2019-20			2020-21			
Net Expenditure Chargeable to the GF and HRA Balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the CIES		Net Expenditure Chargeable to the GF and HRA Balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the CIES
£000	£000	£000		£000	£000	£000
9,113	15,591	24,705	Strategy	5,530	15,314	20,844
9,049	12,251	21,300	Services	10,272	13,994	24,266
1,448	2,039	3,487	Resources	15,984	(4,534)	11,450
(20,636)	11,989	(8,647)	Housing Revenue Account	(21,824)	6,081	(15,743)
0	0	0	Covid Grants	1,107	0	1,107
<b>(1,026)</b>	<b>41,871</b>	<b>40,845</b>	<b>Cost of Services</b>	<b>11,070</b>	<b>30,855</b>	<b>41,924</b>
(6,530)	(10,357)	(16,887)	Other income and expenditure	(26,854)	895	(25,960)
(7,556)	31,514	23,958	(Surplus) / deficit	(15,785)	31,750	15,965

Net Expenditure Chargeable to the GF and HRA balances is as reported to Management throughout the year except that:

- it excludes depreciation, which is included as an adjustment between funding and accounting basis
- net income relating to investment property £5.5 million, which is reported to Community Services, is included in Other income and expenditure in accordance with generally accepted accounting practices

The other adjustments between accounting and funding basis are not reported to Management during the year but are included in the final year-end outturn report to Corporate Management Team, Corporate Governance and Standards Committee (CGSC) and the Executive.

# GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

## 1b). Notes To The Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis				
				2020-21
Adjustments from GF to arrive at the CIES amounts	Adjustments for Capital Purposes (Note 1)	Net change for the Pensions Adjustments (Note 2)	Other differences (Note 3)	Total Adjustments
	£000	£000	£000	£000
Strategy	1,980	593	12,741	15,314
Services	9,880	3,271	844	13,994
Resources	306	(6,793)	1,953	(4,534)
Housing Revenue Account	5,512	473	96	6,081
Covid Grants				0
<b>Cost of Services</b>	<b>17,678</b>	<b>(2,456)</b>	<b>15,634</b>	<b>30,856</b>
<b>Other income and expenditure from the EFA</b>	<b>(19,250)</b>	<b>2,654</b>	<b>17,491</b>	<b>895</b>
<b>Difference between GF surplus and CIES surplus on the Provision of Services</b>	<b>(1,572)</b>	<b>198</b>	<b>33,125</b>	<b>31,751</b>

Adjustments between Funding and Accounting Basis				
				2019-20
Adjustments from GF to arrive at the CIES amounts	Adjustments for Capital Purposes (Note 1)	Net change for the Pensions Adjustments (Note 2)	Other differences (Note 3)	Total Adjustments
	£000	£000	£000	£000
Strategy	2,082	168	13,341	15,591
Services	6,896	4,153	1,202	12,251
Resources	376	1,175	488	2,039
Housing Revenue Account	11,175	714	100	11,989
<b>Cost of Services</b>	<b>20,529</b>	<b>6,210</b>	<b>15,132</b>	<b>41,871</b>
<b>Other income and expenditure from the EFA</b>	<b>(10,202)</b>	<b>2,863</b>	<b>(3,018)</b>	<b>(10,357)</b>
<b>Difference between GF surplus and CIES surplus on the Provision of Services</b>	<b>10,327</b>	<b>9,073</b>	<b>12,114</b>	<b>31,514</b>

### Note 1 - Adjustments for Capital Purposes

Adds in depreciation 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 and contributions are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants and contributions are adjusted from those receivables in the year to those receivables without conditions or for which conditions were satisfied

## GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

	throughout the year. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants and contributions receivable in the year without conditions or for which conditions were satisfied in the year
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### Note 2 – Net change for the Pensions adjustments

This column shows the 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 Council 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

This column adds in the amortisation of intangible software assets and revenue expenditure funded from capital under statute in the services line, and for:

Other operating expenditure	adds in the payment to the government Housing Capital Receipts Pool
Financing and Investment income and expenditure	the statutory transfer of the amount equal to the total depreciation charge for all HRA assets to the Major Repairs Reserve is deducted from other income and expenditure as this is not chargeable under generally accepted accounting practices
Taxation and non-specific grant income and expenditure	the charge represents the difference between what is chargeable under statutory regulations for council tax and business rates 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

### 1c). Segmental Income

Revenues received from external customers on a segmental basis (ie how the Council is structured) is analysed below:

### 2. Expenditure And Income Analysed By Nature

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

## GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

Segmental income:		
2019-20		2020-21
£000	Services	£000
9,932	Strategy	1,623
26,616	Services	50,976
295	Resources	200
	COVID expenditure	6,359
31,015	Housing Revenue Account	32,013
<b>67,858</b>	<b>Total Income from services</b>	<b>91,171</b>

2019-20 re-stated		2020-21
£000	Expenditure/Income	£000
	<b>Expenditure</b>	
40,403	Employee benefits expenses	39,713
72,198	Other services expenses	61,494
23,231	Depreciation, amortisation, revaluation gains and losses	33,900
8,632	Interest payments	7,934
1,741	Precepts and levies	1,877
2,738	Payments to Housing Capital Receipts Pool	687
1,483	IFRS statutory adjustment	(921)
1,723	(Gain) / loss on the disposal of assets	(2,185)
<b>152,148</b>	<b>Total Expenditure</b>	<b>142,499</b>
	<b>Income</b>	
62,304	Fees, charges and other service income	48,795
10,528	Interest and investment income	10,351
14,124	Income from council tax and non-domestic rates	(4,382)
41,234	Government grants and contributions	71,770
<b>128,190</b>	<b>Total Income</b>	<b>126,534</b>
<b>23,958</b>	<b>(Surplus)/Deficit on the Provision of Services</b>	<b>15,965</b>

### 3. Other Operating Expenditure

2019-20		2020-21
£000		£000
1,741	Parish council precepts	1,877
2,738	Payments to the government Housing Capital Receipts Pool	687
1,723	(Gains) / losses on the disposal of non-current assets	(2,201)
<b>6,202</b>		<b>364</b>

## GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

### 4. Financing And Investment Income and Expenditure

2019-20		2020-21
£000		£000
5,769	Interest payable and similar charges	5,280
2,863	Net interest on the net defined benefit liability (Note 26)	2,654
(2,145)	Interest receivable and similar income	(2,447)
1,483	Increase / Decrease in fair value of investments	(921)
(5,154)	Net income and expenditure in relation to investment properties and changes in their fair value	(5,877)
<b>2,815</b>		<b>(1,311)</b>

More detail in relation to investment property is provided in note 14.

### 5. Taxation and Non-Specific Income Grant

This table shows grants received in year from Council Tax, Business Rates, and other grants.

2019-20		2020-21
£000		£000
(11,612)	Council tax income	(11,774)
(2,512)	Business rates income and expenditure	16,156
	0 Covid Grants	
(3,490)	Non-ringfenced government grants	(20,549)
(8,290)	Capital grants and contributions	(8,844)
<b>(25,905)</b>		<b>(25,011)</b>

The Business rates income and expenditure line above includes the following:

2019-20		2020-21
£000		£000
31,333	Tariff	31,844
(11)	Contr from NDR pool	0
1,383	Levy	(261)
(35,217)	Retained income	(15,427)
<b>(2,512)</b>		<b>16,156</b>

### 6. Prior Period Restatements

The Council has been involved in the construction of a new access road of approximately 0.5km in length that will continue beyond the eastern extent of the existing roads of the Slyfield Industrial Estate. The new road will provide future access for the re-development of the land east to the estate; known as the Weyside Urban Village (WUV). The road when complete will be transferred to Surrey County Council. A review of assets during the audit led to the reclassification of this property from other land and buildings to assets under construction as it is not yet complete. The previous year has been re-stated and for comparative purposes.

## GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

	Net book Value		
	1 April 2019	Movement	31 March 2020
	£'000	£'000	£'000
Infrastructure	11,757	(8,279)	3,478
Assets Under Construction	20,829	8,279	29,108
	<b>32,586</b>	<b>0</b>	<b>32,586</b>

### 7. Councillors' Allowances

This shows the amounts paid to Councillors in the year. The amount paid to each councillor is published on the Council's website, at

<https://www.guildford.gov.uk/article/18872/Councillors-allowances>

2019-20		2020-21
£		£
334,736	Basic Allowance	353,398
102,124	Special Responsibility Allowance	113,470
4,453	Mileage and Subsistence	45
<b>441,313</b>		<b>466,913</b>

### 8. Officers' Remuneration

The following table sets out the remuneration of the council's senior employees for 2020-21. The term 'senior employee' is defined by the Accounts and Audit Regulations 2015 (the 2015 Regulations) as:

- an employee whose salary is £150,000 per year; or
- an employee whose salary is £50,000 or more per year (to be calculated pro rata if employed for fewer than the usual full-time hours) and whose post or role meets certain criteria set out in the 2015 Regulations.

Postholder	Note		Salaries, fees and Allowances	Other non salary payments	Expenses allowances	Termination payments	Pension contribution	Car lease / other benefits	Total
Managing Director		2020-21	136,131	-	1,797	-	22,938	7,389	168,255
		2019-20	132,302	4,553	1,774	-	20,665	9,776	169,070
Director of Environment (to 30/06/20)		2020-21	24,878	815	445	97,329	3,989	1,077	128,533
		2019-20	98,338	217	1,074	-	14,849	6,168	120,647
Director of Service Delivery (from 22/06/20)		2020-21	79,734	-	3,822	-	13,714	465	97,735
		2019-20	-	-	-	-	-	-	-
Director of Community Services		2020-21	-	-	-	-	-	-	-
		2019-20	76,760	738	3,874	118,105	11,591	639	211,707
Director of Resources (s151 officer)		2020-21	98,929	-	3,883	-	16,686	570	120,068
		2019-20	91,709	836	4,904	-	13,746	570	111,765
Director of Strategy (to 15/09/20)		2020-21	46,695	-	2,255	95,000	7,678	-	151,628
		2019-20	98,338	-	4,904	-	14,849	-	118,091
Director of Strategy (from 04/01/21)		2020-21	24,353	-	1,193	-	4,189	-	29,735
		2019-20	-	-	-	-	-	-	-
Audit and Performance Manager		2020-21	69,644	1,239	3,149	-	4,683	-	78,714
		2019-20	66,765	884	3,140	-	10,082	-	80,870

The Council's other employees receiving more than £50,000 remuneration for the year, which includes termination payments but excludes employer's pension contributions, were paid the following amounts:

## GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

Remuneration Band	2020-21	2019-20
	Number of Employees	Number of Employees
£50,000 - £54,999	32	26
£55,000 - £59,999	11	10
£60,000 - £64,999	10	11
£65,000 - £69,999	8	7
£70,000 - £74,999	8	5
£75,000 - £79,999	4	6
£80,000 - £84,999	3	5
£85,000 - £89,999	2	4
£90,000 - £94,999	0	0
£95,000 - £99,999	1	0
>£100,000	1	0

### Benefits Payable during Employment

Short-term (<12 months) employee benefits include wages and salaries, paid annual leave, paid sick leave, bonuses and non-monetary benefits (for example cars). These are recognised in the year in which employees provide service to the council and charged to the service line in the CIES.

An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. It is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the MIRS 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. They are charged on an accruals basis to the appropriate service in the CIES 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 GF Balance to be charged with the amount payable by the Council, not the amount calculated according to the relevant accounting standards. Notional amounts for pension enhancement termination benefits are reversed in the MIRS and replaced with the cash paid and payable but not yet paid in the year.

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

## GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

Exit Package cost	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band		
	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20	
							£	£	
£0 - £20,000	12	2	4	0	16	2	142,684	31,310	
£20,001 - £40,000	14	7	2	2	16	9	457,595	263,632	
£40,001 - £60,000	13	8	0	3	13	11	629,174	524,811	
£60,001 - £80,000	4	1	0	0	4	1	272,375	67,537	
£80,001 - £100,000	3	3	2	0	5	3	451,361	273,283	
£100,001 - £150,000	1	5	0	0	1	5	108,855	608,627	
	<b>47</b>	<b>26</b>	<b>8</b>	<b>5</b>	<b>55</b>	<b>31</b>	<b>2,062,044</b>	<b>1,769,200</b>	
Less: amounts included above provided for in previous years								<b>(498,750)</b>	-
Add: Amounts provided for in CIES not included in bandings								-	-
<b>Total cost included in CIES</b>								<b>1,563,294</b>	<b>1,769,200</b>

Payments shown in respect of redundancies include both redundancy payments and additional amounts paid to the Pension Fund, where applicable.

Payments made in respect of other departures agreed include voluntary redundancies, contractual obligations and discretionary payments, relating to people who have left the Council's employment in the interests of efficiency of the service.

### 9. External Audit Cost

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditors Grant Thornton UK LLP:

2019-20		2020-21
£'000		£'000
67	External audit services carried out by the appointed auditor for the year	80
29	Certification of grant claims and returns	21
15	Other services	0
<b>111</b>	<b>Total</b>	<b>101</b>

### 10. Grant Income

Government grants, third party contributions and donations are recognised as due to the Council when it is reasonable to conclude that:

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

Amounts are recognised credited to the CIES when conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Where conditions have not been satisfied, grants and contributions are carried in the Balance Sheet as creditors. When conditions are satisfied grants and contributions are credited to the CIES:

- attributable revenue grants and contributions are credited to the relevant service line
- non-ring-fenced revenue grants and all capital grants are credited to Taxation and Non-Specific Grant Income.

## GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

Where capital grants and contributions are credited to the CIES, they are reversed out of the GF Balance in the MIRS. Where a contribution has yet to be used to finance capital expenditure, it is posted to the Capital Contributions Unapplied reserve. Where a grant or contribution has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Contributions Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Where it is uncertain whether a grant or contribution will be used for capital or revenue purposes, the grant will be credited to an earmarked reserve.

The Council credited the following grants, contributions and donations to the CIES.

<b>2019-20</b>		<b>2020-21</b>
<b>£'000</b>		<b>£'000</b>
	<b>Credited to Taxation and Non Specific Grant Income</b>	
	Collection Fund (NDR and Council Tax)	
	<u>Non-ringfenced government grants</u>	
1,039	New Homes Bonus	851
2,425	Business Rates & Council Tax s31 grant	18,871
0	Transition grant	8
26	New Burdens grants	2
0	Other	817
8,290	Capital grants and contributions	8,844
<b>11,780</b>	<b>Total</b>	<b>29,393</b>
	<b>Credited to Services</b>	
15,766	Housing Benefit Rent Allowance subsidy	14,005
11,779	Housing Benefit Rent Rebate subsidy	11,099
454	Housing Benefit Administration	660
213	Supporting People Grant	203
408	Day care and other social services	479
9	Business Rate Collection	459
	Sales Fees and Charges	7,591
	ARG discretionary	2,582
	Local Discretionary Grant Fund	1,112
0	Covid grants	689
	Covid support	1,977
826	Other	1,521
<b>29,454</b>	<b>Total</b>	<b>42,377</b>
<b>41,234</b>	<b>Total Grants</b>	<b>71,770</b>

# GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

## Government grants and Financial Support for COVID-19

As part of the Government's response to the COVID-19 Pandemic the Council has received the following exceptional support grants during 2020-21:

Grant	Description	Amount Received 2020-21 £0
General Grant for LA functions	Towards costs incurred in relation to Covid-19	£1,977,000
Business Rates Reconciliation Grant	Compensation from government paid for granting businesses business rate relief as announced by government in 2020-21	£108,009
Council Tax Discount for Family Annexes	Council tax discount on an annexe lived in by a family member	£25,888
Sales, fees and charges compensation scheme	Compensation for irrecoverable and unavoidable losses from sales, fees and charges income generated in the delivery of services in 2020-21	£7,591,413
Covid hardship fund 2020-21	Grant funding to support economically vulnerable people and households in the borough	£469,380
New Burdens Covid grant	Delivery costs associated with grants to	£58,500
LA Emergency Assist (Via SCC)	Emergency and assistance grant to be used for the people of Guildford for food and essential supplies	£78,789
CEV (via SCC)	Funding to support the Clinically Extremely Vulnerable people to take extra care shielding measures to protect themselves.	£232,959
Compliance & Enforce	Support for a range of additional compliance and enforcement activity to support communities comply with guidelines.	£42,185
COMF (via SCC)	Funding to help reduce the spread of coronavirus and support local public health.	£320,740
Rough Sleeper	Supports delivery of the commitment set out in the Government's rough sleeping strategy.	£13,892
<b>TOTAL</b>		<b>£10,918,755</b>
<b>Grants in Support of Local Businesses acting as principle</b>		
Grant	Description	Amount Received 2020-21 £0
Local Discretionary Grant Fund	The local discretionary grant is aimed at businesses who - are not eligible for other funds such as the Small Business Grant and the Retail, Leisure and Hospitality fund	£1,111,500
Additional Restrictions Grant	Support to businesses that were ineligible for the Local restrictions support grant as determined by the Council's local scheme.	£2,582,000
<b>Total</b>		<b>£3,693,500</b>
<b>Grants in Support of Local Businesses acting as agent</b>		
Grant	Description	Amount Received 2020-21 £0
Small Business Grant Fund and Retail, Hospitality and Leisure Grant Fund	Support to eligible businesses as announced by Government	£22,242,250
LRSG (Closed)	Business support packages during lockdown	£829,033
LRSG (closed Adden.)	Business support packages during lockdown	£5,882,349
CBLP (Closed business lockdown)	Business support packages during lockdown	£4,447,000
CSP	Support as part of a wider set of measures to support the nations economy and businesses in response to coronavirus.	£26,000
Test and Trace	Support to people on low incomes who have been told to self-isolate who are unable to work from home and will lose income as a result.	£89,500
DWP resources	Support for businesses	£19,219
LRSG (open)	Business support packages during lockdown	£56,120
<b>TOTAL</b>		<b>£33,591,471</b>
<b>TOTAL COVID GRANTS</b>		<b>£48,203,726</b>

This table is a summary of the Covid Grants received:

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Grant	Gross Inc £'000	Gross Exp £'000	Net Inc £'000
ARG discretionary	(2,582)	2,580	(2)
Local Discretionary Grant Fund	(1,112)	1,112	0
Compensation for lost income	(7,591)		(7,591)
Covid Support	(1,977)	3,259	1,282
Other Covid grants	(1,351)	656	(695)
<b>Total Grants as principle</b>	<b>(14,613)</b>	<b>7,607</b>	<b>(7,006)</b>
Grants where the Council Acted as an agent	(33,587)	33,241	(346)
<b>Total Covid Grants</b>	<b>(48,200)</b>	<b>40,848</b>	<b>(7,352)</b>

### 11. Movements in Earmarked Reserves

The Council sets aside specific amounts from the GF and HRA as Earmarked Reserves for future policy purposes or to cover contingencies.

- Earmarked Reserves are created by appropriating amounts out of the GF or HRA in the MIRS. When expenditure to be financed from a reserve is incurred, it is charged to the relevant service in that year in the CIES. The expenditure is then appropriated back into the GF or HRA in the MIRS.

This note sets out:

- the amounts set aside from the GF and HRA balances in earmarked reserves to provide financing for future expenditure plans and
- the amounts posted back from earmarked reserves to meet GF and HRA expenditure.

	Balance at 31 March 2020 £000	Transfers In 2020-21 £000	Transfers Out 2020-21 £000	Balance at 31 March 2021 £000
<b>General fund:</b>				
Interest Rate Movements	1,197	-	-	1,197
New Homes Bonus	3,490	851	3,595	746
Carried Forward Items	1,654	-	828	826
Invest to Save	4,266	250	2,096	2,420
Spectrum	1,823	189	-	2,012
Car Parks Maintenance	4,236	650	1,319	3,567
Park & Ride	1,650	-	-	1,650
Business Rates equalisation	5,716	26,469	9,425	22,760
Special Protection Areas (SPA) sites	9,768	472	47	10,193
Budget Pressures	1,754	-	1,637	117
BR Covid discount	-	818	-	818
Other reserves	8,343	2,036	3,160	7,220
<b>GF Total</b>	<b>43,897</b>	<b>31,735</b>	<b>22,107</b>	<b>53,526</b>
<b>HRA:</b>				
Capital Programme	35,829	2,500	-	38,329
New Build	56,114	8,477	4,818	59,773
<b>HRA Total</b>	<b>91,943</b>	<b>10,587</b>	<b>4,818</b>	<b>98,102</b>
<b>Overall total</b>	<b>135,840</b>	<b>42,322</b>	<b>26,925</b>	<b>151,238</b>

## GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

<b>Reserve</b>	<b>Purpose of reserve</b>
Budget pressures	Set up to allow us to manage the budget reduction required over the next five years
Business rates equalisation	To be used as appropriate to smooth out the effects of the Business Rates Retention Scheme, including those related to regeneration projects
BR Covid Discount	This holds the grants received from government not yet allocated out to businesses in respect of COVID.
Capital schemes	Available to fund GF capital expenditure in future years
Car parks maintenance	Used to fund repairs, maintenance and improvements in the Council's off street car parks
Invest to save	This reserve funds investment opportunities that will allow us to achieve ongoing savings, and short term increases in revenue costs during periods of transition
IT renewals	Receives repayments from services to fund expenditure as set out in the Council's Information and Communication Technology (ICT) strategy
New homes bonus	New Homes Bonus is a general grant that we receive from the UK government. It is not ring-fenced for any specific purpose
Park and ride	This reserve will be used to fund future park and ride sites
Special Protection Area (SPA) sites	Set up to hold s106 income received in relation to various SPA sites
Spectrum	This reserve is available to finance structural repairs and improvements to Spectrum Leisure Centre
Other	Consists of reserves with balances of less than £1 million, which have been earmarked for a range of different purposes e.g. insurance, pensions, protection from interest rate movements, legal actions, and energy management schemes
HRA capital programme	Available to fund HRA capital expenditure in future years
HRA new build	To fund the building and acquisition of new Council homes

### 12. **Property, Plant And Equipment (PP&E)**

#### Definition

Assets that have physical substance and are held for use in the production or supply of goods or services or for administrative purposes and that are expected to be used for more than one financial year.

#### Recognition

Expenditure on the acquisition, creation or enhancement of PP&E is capitalised if it is probable that the item of PP&E will generate future economic benefits and/or service potential.

Expenditure that does not enhance an asset such as repairs and maintenance expenditure is not capitalised and is charged to the CIES as an expense when it is incurred.

#### Measurement

PP&E 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

## GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

- the initial estimate of any future decommissioning costs that will be necessary such as dismantling an item or restoring a site upon which the asset it is located.

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

- infrastructure, community assets and assets under construction - historical cost (depreciated as appropriate)
- council dwellings - current value, determined using the existing use value for social housing
- surplus assets – current value, determined using fair value, estimated at highest and best use from a market participant’s perspective
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use.

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate.

Assets included in the Balance Sheet at current value are revalued 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 credited to the Revaluation Reserve unless there has been a previous reduction in valuation that has been charged to the Surplus or Deficit on Provision of Services line in the CIES. Where such a charge has been made, the increase in valuation is credited to the Surplus or Deficit on Provision of Services (up to the amount that had previously been charged).

Decreases in value are charged:

- to the Revaluation Reserve, where there is a balance in the Revaluation Reserve of revaluation gains for the asset
- where there is no balance in the Revaluation Reserve or an insufficient balance, to the relevant service line(s) in the CIES.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains and losses that arose prior to 1 April 2007 have been transferred to the Capital Adjustment Account.

### Revaluations

The Council carries out a rolling programme that ensures that all PP&E required to be measured at current value is revalued at least every five years. All of our council dwellings and a proportion of our other operational properties were revalued by the Valuation Office Agency and Bruton Knowles Limited, chartered surveyors, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Council dwellings were revalued as at 31 March 2021 and other property as at 1 January 2021. The assets were inspected between October 2020 and March 2021 and the valuer assumed, where relevant, that the properties valued will continue to be in the occupation of the Council for the foreseeable future having regard to the prospect and viability of the continuance of that occupation.

Properties regarded by the Council as operational were valued on the basis of open market value for the existing use or, where this could not be assessed because there was no market for the subject asset, the depreciated replacement cost.

## GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

Any property, regarded by the Council as surplus and therefore non-operational, is valued at fair value, based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the property being categorised at Level 2 in the fair value hierarchy.

All assets of the same type, e.g. car parks, are generally revalued together in one year. We check that there are no material trends in the revaluations that should be applied to any of our other assets.

The sources of information and assumptions made in producing the various valuations are set out in a valuation certificate and report, which also provides assurance that the valuer has reviewed the balance sheet values of the remainder of the Council's property portfolio to give assurance that no class of assets is materially misstated.

The valuation figures incorporated in the accounts are the aggregate of separate valuations of parts of the portfolio, not an apportioned valuation of the portfolio valued as a whole.

The following statement shows the progress of the Council's rolling programme for the revaluation of PP&E assets:

	<b>Council Dwellings</b>	<b>Other Land and Buildings</b>	<b>Vehicles, Plant, Furniture &amp; Equipment</b>	<b>Surplus Assets</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Carried at historical cost	1,708	11,637	30,646	-	43,991
Valued at current value as at:					
31-Mar-21	518,409	148,083	-	-	666,492
31-Mar-20	5,067	19,573	-	-	24,640
31-Mar-19	-	36,547	-	-	36,547
31-Mar-18	-	16,223	-	125	16,348
31-Mar-17	-	5,818	-	-	5,818
<b>Total Cost or Valuation</b>	<b>525,184</b>	<b>237,881</b>	<b>30,646</b>	<b>125</b>	<b>793,836</b>

### 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 charged to the Revaluation Reserve, where there is a balance in the Revaluation Reserve of revaluation gains for the asset
  - where there is no balance in the Revaluation Reserve or an insufficient balance, to the relevant service line(s) in the CIES.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the CIES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### 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 revalued immediately before reclassification and then carried at

## GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

the lower of this amount and fair value less costs to sell and is no longer subject to a depreciation charge. Gains in fair value are recognised only up to the amount of any previously recognised losses.

If assets no longer meet the criteria to be classified as Assets 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.

When an asset is disposed of (or decommissioned), the carrying amount of the asset in the Balance Sheet (whether PP&E or Assets Held for Sale) is written off to the CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the CIES also as part of the gain or loss on disposal (that is netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation reserve are transferred to the Capital Adjustment Account.

Disposal proceeds in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals, net of statutory deductions and allowances, is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the reserve from the GF Balance in the MIRS.

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 GF Balance in the MIRS.

### Depreciation

Depreciation is provided for on PP&E assets that are available for use by charging their depreciable amounts over their useful lives on a straight-line basis.

- Assets that do not have a determinable finite useful life (such as freehold land) and assets that are in the course of construction (and therefore not yet available for use) are not depreciated.
- Where an item of PP&E has major components where the cost is significant in relation to the total cost of the item, and where it is necessary to ensure materially correct depreciation charges, the components are depreciated separately. The Council's policy is to consider for componentisation all assets (excluding land) with a value greater than £1 million and where the component(s) comprise more than 20% of the value of the asset.
- Revaluation gains are 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.

The following useful lives have been used in the calculation of depreciation:

- Council Dwellings – 60 years
- Other Land and Buildings – 5 to 60 years (as estimated by the valuer)

## GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

- Vehicles, Plant, Furniture and Equipment – 3 to 30 years (as advised by a suitably qualified officer)
- Infrastructure – 5 to 60 years (as advised by a suitably qualified officer)

### Assets under construction

Assets that are transferred to under construction in year, may carry a depreciation charge in the year of transfer for the time it was an operational asset.

Depreciation will not be chargeable while assets are under construction

When assets are constructed, they will be moved to their relevant category, and will then start to be depreciated. These assets will be revalued the year after they become operational.

<b>Movement in 2020-21:</b>	<b>Council dwellings £000</b>	<b>Other land and buildings £000</b>	<b>Vehicles, Plant, Furniture &amp; Equipment £000</b>	<b>Infrastructure Assets £000</b>	<b>Community Assets £000</b>	<b>Surplus assets £000</b>	<b>Assets under Construction £000</b>	<b>Total Property, Plant and Equipment £000</b>
<b>Cost or Valuation</b>								
At 1 April 2020	510,110	231,727	27,508	8,420	6,053	125	30,260	814,203
Additions	9,470	429	3,600	414	1,715	-	831	16,459
Disposals	(1,891)	-	(462)	-	-	-	-	(2,353)
Accumulated depreciation written off to cost or valuation	(5,546)	(4,416)	-	-	-	-	-	(9,962)
Revaluations recognised in the revaluation reserve	12,892	246	-	-	-	-	-	13,138
Revaluations recognised in the surplus on provision of services	150	(3,657)	-	-	-	-	-	(3,507)
Transfers	-	12,542	-	-	-	-	(14,448)	(1,906)
<b>At 31 March 2021</b>	<b>525,185</b>	<b>236,871</b>	<b>30,646</b>	<b>8,834</b>	<b>7,768</b>	<b>125</b>	<b>16,643</b>	<b>826,072</b>
<b>Accumulated Depreciation</b>								
At 1 April 2020	3	6,452	20,824	4,942	44	6	1,152	33,423
Charge for 2020-21	5,589	5,786	2,201	196	1	2	-	13,775
Disposals	(14)	-	(396)	-	-	-	-	(410)
Revaluations	(5,546)	(4,416)	-	-	-	-	-	(9,962)
Transfers	-	42	-	-	-	-	(42)	-
<b>At 31 March 2021</b>	<b>32</b>	<b>7,864</b>	<b>22,629</b>	<b>5,138</b>	<b>45</b>	<b>8</b>	<b>1,110</b>	<b>36,826</b>
Net book Value								
<b>As at 31 March 2021</b>	<b>525,153</b>	<b>229,007</b>	<b>8,017</b>	<b>3,696</b>	<b>7,723</b>	<b>117</b>	<b>15,533</b>	<b>789,246</b>
as at 31 March 2020	510,107	225,275	6,684	3,478	6,009	119	29,108	780,780

The prior year comparison is in the table below:

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Movement in 2019-20 re-stated:	Council dwellings £000	Other land and buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus assets £000	Assets under Construction £000	Total Property, Plant and Equipment £000
<b>Cost or Valuation</b>								
At 1 April 2019	504,604	236,252	26,672	7,769	4,583	125	18,086	798,091
Additions	7,173	1,301	1,049	651	-	-	18,167	28,341
Disposals	(3,651)	-	(213)	-	-	-	-	(3,864)
Accumulated depreciation written off to cost or valuation	(6,442)	(4,822)	-	-	-	-	-	(11,264)
Revaluations recognised in the revaluation reserve	8,331	718	-	-	-	-	135	9,184
Revaluations recognised in the surplus on provision of services	(5,779)	(1,221)	-	-	-	-	-	(7,000)
Transfers	5,874	(501)	-	-	1,470	-	(6,128)	715
<b>At 31 March 2020</b>	<b>510,110</b>	<b>231,727</b>	<b>27,508</b>	<b>8,420</b>	<b>6,053</b>	<b>125</b>	<b>30,260</b>	<b>814,203</b>
<b>Accumulated Depreciation</b>								
At 1 April 2019	902	5,611	18,662	4,749	1	4	552	30,481
Charge for 2019-20	5,543	5,675	2,361	193	1	2	-	13,775
Disposals	-	-	(199)	-	-	-	-	(199)
Revaluations	(6,442)	(4,792)	-	-	-	-	-	(11,234)
Impairment losses	-	-	-	-	-	-	600	600
Transfers	-	(42)	-	-	42	-	-	0
<b>At 31 March 2020</b>	<b>3</b>	<b>6,452</b>	<b>20,824</b>	<b>4,942</b>	<b>44</b>	<b>6</b>	<b>1,152</b>	<b>33,423</b>
Net book Value								
<b>As at 31 March 2020</b>	<b>510,107</b>	<b>225,275</b>	<b>6,684</b>	<b>3,478</b>	<b>6,009</b>	<b>119</b>	<b>29,108</b>	<b>780,780</b>
as at 31 March 2019	503,702	231,146	8,010	3,020	4,582	121	17,034	767,615

### Capital Commitments

At 31 March 2021, the Council has entered into a number of contracts for the construction or enhancement of PP&E in 2021-22 and future years budgeted to cost £16.8 million compared to commitments at 31 March 2020 of £0.81 million.

The major commitments are:

- WUV – £12.8 million

### 13. Heritage Assets

The Council holds various heritage assets, which are held and maintained principally for their contribution to knowledge and culture. Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on PP&E. However, some of the measurement rules are relaxed in relation to heritage assets. The Council's heritage assets are accounted for as follows:

- Monuments, including Guildford Castle and Chilworth Gunpowder Mills  
These assets are ruins for which it is not possible to obtain a current valuation. They are held on the balance sheet at historical cost, i.e. the cost of capitalised works

## GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

carried out to preserve the buildings and are not subject to depreciation as they have indefinite lives.

- the art collection held at Guildford House Gallery, and civic regalia held at the Guildhall Insurance values have been used as a proxy for fair value. An insurance valuation was carried out by Bonhams 1793 Limited, international auctioneers and valuers as at March 2012. This was based on estimated price of the items if purchased on retail premises. The assets are not depreciated because they have indeterminable lives.
- various sculptures and pieces of artwork around the Borough  
These assets are held on the balance sheet at historical cost and are not subject to depreciation as they have indeterminable lives.
- the museum collection held at Guildford Museum  
The Council does not consider that reliable cost or valuation information can be obtained for the museum collection because of the diverse nature of the assets held and lack of comparable market values. Consequently, the Council does not recognise these assets on the balance sheet.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, for example when an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment – see note 12 in this summary of significant accounting policies.

### Reconciliation of the carrying value of Heritage Assets held by the Council

	Monuments £000	Civic Regalia etc £000	Art Collection £000	Total Assets £000
<b>Cost or Valuation</b>				
At 1 April 2019	1,011	1,759	805	3,575
Additions	-	-	-	-
<b>At 31 March 2020</b>	<b>1,011</b>	<b>1,759</b>	<b>805</b>	<b>3,575</b>
<b>Cost or Valuation</b>				
At 1 April 2020	1,011	1,759	805	3,575
Additions	187	-	-	187
<b>At 31 March 2021</b>	<b>1,198</b>	<b>1,759</b>	<b>805</b>	<b>3,762</b>

#### Civic Regalia

The Council's collection of civic regalia is held at the Guildhall, and includes such items as the mayor's badge, small and large mace and the civic plate.

#### Art Collection

The collection is held at Guildford House Gallery comprises more than 550 pieces and small collections. Many objects consist of multiple parts so the number of works comes close to 800. They span more than 250 years and include a plethora of media - oil paintings, watercolours, pastels, etchings, engravings, prints, textiles, ceramics, sculpture and glass.

The Heritage Services Collections Development Policy is available from the Council's Heritage Manager.

# GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

## Museum Collections

Guildford Museum works with local people and other partners to collect, record and care for the Borough's heritage and to promote understanding, enjoyment, and engagement with that heritage through access and learning for all. Its collections contain material of local, regional, national and international importance and form a unique cultural asset and resource for Guildford Borough, its people and its visitors.

The heritage asset acquisitions and disposals policies are set out in the published Heritage Service's collections development policy, which the Council reviews every five years. This is a requirement of the national standards scheme for museums, which is managed by Arts Council England. A copy is lodged with other appropriate museums and regional organisations in Surrey and the South East. It is also available on the Council's website.

## 14. Investment Property

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

The value of an investment property is initially measured at cost. Thereafter, it is measured at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Investment properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure (FIIE) line in the CIES as are any gains or losses on disposal.

Rentals received in relation to investment properties are credited to the FIIE and result in a gain for the GF Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the GF Balance. Accordingly, any gains or losses are reversed out of the GF Balance in the MIRS and posted to the Capital Adjustment Account (revaluations and value of assets disposed of) and the Capital Receipts Reserve (proceeds of disposals greater than £10,000).

The following items of income and expense have been accounted for in the FIIE line in the CIES:

<b>2019-20</b>		<b>2020-21</b>
<b>£000</b>		<b>£000</b>
8,382	Rental income from investment property	7,769
(1,251)	Direct operating expenses arising from investment property	(1,214)
<b>7,131</b>	<b>Net gain</b>	<b>6,555</b>

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancement.

The fair value of the majority of the Council's investment property 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 area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy. The inputs used took the form of analysed and weighted market evidence such as sales, rentals and

## GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

yields in respect of comparable properties in the same or similar locations at or around the valuation date.

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is their current use.

### Level 3 disclosure:

One of the Council's investment properties have been revalued at Level 3 in fair value hierarchy (unobservable inputs):

- **Shalford Water Works**

This has been valued at level 3 due to a lack of specific comparable evidence and information regarding operator income/profits on the subject. There are no similar assets of this class in the portfolio therefore the impact of the level of input does not affect any other asset. The sensitivity of the inputs is somewhat lessened by the current income being certain until the next rent review in 2033.

The income is in place until the next rent review in 2033, assumed currently to be market rent. However, there is no direct comparable evidence as the last review settled pre arbitration and not in accordance with lease rent review but rather with reference to profits as agreed between the parties.

### Valuation methodology

The property has been valued on the basis of the existing rent passing despite the fact that the rent was agreed without direct reference to the lease. The valuers assumed that the current tenant will renew their lease at the end of the term because of their statutory duty, however, any new lease would be based on more modern terms and it is possible that the rent may be reduced. They valued the reversionary rent at a slightly higher yield to reflect this risk. However, the valuation is also minded to look at an alternative valuation, given that the reversion of the lease is not until 2066, where the current rent is valued into perpetuity. Both figures are similar.

The total value included in level 3 for 2020-21 is £2.34 million, the value in 2019-20 was £2.15 million

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

<b>2019-20</b>		<b>2020-21</b>
<b>£000</b>		<b>£000</b>
161,244	Balance at start of the year	153,413
7,024	Additions	4,354
(12,150)	Disposals	0
(735)	Transfers	1,906
(1,970)	Net gains/(losses) from fair value adjustments	(565)
<b>153,413</b>	<b>Balance at end of the year</b>	<b>159,108</b>

## 15. Intangible Assets

Expenditure on assets that do not have a physical substance are capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Intangible assets are initially measured at cost and carried at amortised cost. It is amortised over its useful life to the relevant service line(s) in the CIES.

## GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of PP&E. The intangible assets only include purchased licences as the Council does not have any significant internally generated software.

All software is given a finite useful life of 5 years based on an assessment of the period that the software is expected to be of use to the Council. The carrying amount of intangible assets is amortised on a straight-line basis.

The movement on the Intangible Asset balance during the year is as follows:

2019-20		2020-21
£000		£000
	Balance at start of the year:	
5,769	Gross carrying amount	6,779
(3,995)	Accumulated amortisation	(4,480)
<b>1,774</b>	<b>Net carrying amount at start of year</b>	<b>2,299</b>
1,010	Purchases	1,187
(485)	Amortisation for the period	(629)
<b>2,299</b>	<b>Net carrying amount at end of year</b>	<b>2,857</b>
	Comprising:	
6,779	Gross carrying amount	7,966
(4,480)	Accumulated amortisation	(5,109)

### 16. Assets Held For Sale

2019-20		2020-21
£000		£000
2,116	Balance at start of the year	431
0	Assets purchased	0
	<u>Assets newly classified as held for sale:</u>	
20	Property, Plant and Equipment	
(1,705)	Assets sold	(431)
<b>431</b>	<b>Balance at end of the year</b>	<b>0</b>

There were no assets identified for sale in the 12 months following the balance sheet date.

### 17. Short Term Debtors

31 March 2020		31 March 2021
£000		£000
4,125	Central & local government bodies	5,237
3,939	Other entities and individuals: general	22,024
5,007	Other entities and individuals: CT & NNDR	25,003
<b>13,071</b>	<b>Total</b>	<b>52,264</b>

The Council introduced a debt suspension in the year because of Covid-19 and also relaxed debt recovery, so is holding a larger amount of debtors on our balance sheet at the end of the year. There is also a large debtor relating to outstanding s31 grants relating to the Collection Fund.

## GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

### 18. Cash And Cash Equivalents

Cash comprises cash in hand and on demand deposits. Cash also includes bank overdrafts that are repayable on demand and that are integral to the Council's cash management.

Balances classified as 'Cash Equivalents' fit the definition of being short term, highly liquid (that is callable) investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

The net balance of Cash and Cash Equivalents consists of the following elements:

31 March 2021 £000		31 March 2021 £000
6	Cash held by the Council	4
(407)	Bank current accounts	94
15,034	Callable deposits	40,556
<b>14,633</b>	<b>Total Cash and Cash Equivalents</b>	<b>40,654</b>

### 19. Short Term Creditors

31 March 2020 £000		31 March 2021 £000
14,637	Central & Local government bodies	28,179
6,564	Other entities and individuals	26,504
11,957	Receipts in Advance	12,016
<b>33,158</b>	<b>Total</b>	<b>66,699</b>

This includes Receipts in Advance received for Covid-19 grants and Council Tax.

### 20. Provisions

Provisions are created when the Council has an obligation, such as a legal claim against it, that has arisen from a past event and it is probable that the Council will need to settle that obligation. In addition, it is necessary that the obligation can be reliably estimated.

Provisions are charged as an expense to the appropriate service line in the CIES when the Council has an obligation. They are measured at best estimate at the Balance Sheet date, taking into account relevant risks and uncertainties. When payments are made to clear the obligation, they are charged to the provision carried in the Balance Sheet.

Estimated settlements are reviewed at the end of each financial year and where necessary revised. If there is a need to increase the provision, the additional amount is charged to the relevant service in the CIES. If, however, the obligation is estimated or ultimately proves to be less than the value of the provision, the excess amount is credited to the relevant service in the CIES.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (for example from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

The Council's provisions consist of six items totalling £5.9 million (£3.7 million in 2019-20).

## GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

	Outstanding legal cases £000	Business Rates appeals £000	Other provisions £000	Total £000
<b>Balance at 31 March 2019</b>	<b>52</b>	<b>3,375</b>	<b>274</b>	<b>3,701</b>
Additional provisions made	0	596	500	1,096
Amounts used	0	(1,040)	0	(1,040)
Unused amounts reversed	0	0	0	0
<b>Balance at 31 March 2020</b>	<b>52</b>	<b>2,931</b>	<b>775</b>	<b>3,758</b>
Additional provisions made	0	3,264	664	3,928
Amounts used	0	(1,642)	(85)	(1,727)
Unused amounts reversed	0	0	0	0
<b>Balance at 31 March 2021</b>	<b>52</b>	<b>4,553</b>	<b>1,354</b>	<b>5,959</b>

### Outstanding Legal Cases

This relates to search fees, which, subject to legal action, may have to be repaid.

### Business rates Appeals

The business rates appeals provision was set up to cover the Council's share of the estimated reduction in business rates collectable due to rating appeals. It was calculated using information provided by the Valuation Office Agency about outstanding appeals, and our historical knowledge of the likely success rate of these appeals. An additional £8.1 million was added into the reserve and £6.538 million of revaluation list amendments were charged against the provision, but only the Council's 30% share is shown here. The remainder is allocated to Surrey County Council (70%) and is reflected in the balance sheet in the Council's net creditors with them.

### Other provisions

All other provisions are individually insignificant.

## 21. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2019-20		2020-21
£000		£000
2,185	Interest received	1,759
(5,607)	Interest paid	(5,255)

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

## GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

<b>2019-20</b>		<b>2020-21</b>
<b>£000</b>		<b>£000</b>
13,775	Depreciation	13,775
7,600	Revaluation gains on Property, Plant & Equipment	3,507
485	Amortisation of intangible assets	629
687	Increase / (decrease) in creditors	17,744
9,032	(Increase) / decrease in debtors	(40,942)
36	(Increase) / decrease in inventories	58
9,073	Movement in pension liability	198
17,520	Carrying amount of non-current assets sold	2,373
4,405	Other adjustments	1,740
<b>62,613</b>		<b>(918)</b>

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

<b>2019-20</b>		<b>2020-21</b>
<b>£000</b>		<b>£000</b>
2,310	Proceeds from short and long-term investments	0
(8,293)	Other items	(8,847)
(15,753)	Proceeds from the sale of non-current assets	(4,559)
<b>(21,736)</b>		<b>(13,406)</b>

Other items include capital grants

# GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

## Technical Notes To The Accounts

The following notes are more technical in nature and provide additional accounting detail supporting the primary statements and notes.

### 22. Adjustments Between Accounting And Funding Basis Under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2020-21	Usable Reserves		Capital Receipts reserve £000	Major Repairs Reserve £000	Capital Contributions Unapplied £000	Mvt in Unusable Reserves £000
	General Fund Balance £000	Housing Revenue Account £000				
<b>Adjustments to the Revenue Resources:</b>						
<b>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement (CIES) are different from revenue for the year calculated in accordance with statutory requirements:</b>						
Pensions costs (trf to / (from) the Pensions Reserve)	(275)	473	-	-	-	(198)
Council tax and Business Rates (trf to the Collection Fund Adjustment Account)	23,722	-	-	-	-	(23,722)
Reversal of entries in the Surplus or Deficit on the Provision of Services re capital expenditure (charged to CAA)	28,500	7,505	-	-	-	(36,005)
Movements in the market value of Investment Properties (transferred from CAA)	589	-	-	-	-	(589)
Capital grants and contributions unapplied credited to the CIES	(7,246)	(1,599)	-	-	8,845	-
Benefit accrual	0	-	-	-	-	0
IFRS9 statutory reversal	(1,232)	-	-	-	-	1,232
<b>Total Adjustments to Revenue Resources</b>	<b>44,058</b>	<b>6,379</b>	<b>-</b>	<b>-</b>	<b>8,845</b>	<b>(59,282)</b>
<b>Adjustments between Revenue and Capital Resources</b>						
Tfr of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(2,571)	(1,988)	4,559	-	-	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	687	-	(687)	-	-	-
Posting of HRA resources from revenue to the MRR	-	(5,686)	-	5,686	-	-
Statutory provision for the repayment of debt (transfer from CAA)	(1,288)	-	-	-	-	1,288
Capital expenditure financed from revenue balances (transfer to CAA)	(3,022)	(4,818)	-	-	-	7,839
<b>Total Adjustments</b>	<b>(6,194)</b>	<b>(12,492)</b>	<b>3,872</b>	<b>5,686</b>	<b>-</b>	<b>9,127</b>
<b>Adjustments to Capital Resources</b>						
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	(8,902)	-	-	8,902
Use of the MRR to finance capital expenditure	-	-	-	(3,661)	-	3,661
Application of capital grants and contributions to finance capital expenditure	-	-	-	-	(8,669)	8,669
<b>Total Adjustments to Capital Resources</b>	<b>-</b>	<b>-</b>	<b>(8,902)</b>	<b>(3,661)</b>	<b>(8,669)</b>	<b>21,232</b>
<b>Total adjustments</b>	<b>37,864</b>	<b>(6,113)</b>	<b>(5,030)</b>	<b>2,025</b>	<b>176</b>	<b>(28,922)</b>

The housing capital receipts payment (£687,000) is the statutory minimum the Council has to pay to the Government. No repayments of 141 receipts were payable in 2020/21.

## GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

2019-20	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts reserve £000	Major Repairs Reserve £000	Capital Contributions Unapplied £000	Mvt in Unusable Reserves £000
<b>Adjustments to the Revenue Resources:</b>						
<b>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement (CIES) are different from revenue for the year calculated in accordance with statutory requirements:</b>						
Pensions costs (trf to / (from) the Pensions Reserve)	8,263	810	-	-	-	(9,073)
Council tax and Business Rates (trf to the Collection Fund Adjustment Account)	(1,930)	-	-	-	-	1,930
Reversal of entries in the Surplus or Deficit on the Provision of Services re capital expenditure (charged to CAA)	38,855	14,926	-	-	-	(53,781)
Movements in the market value of Investment Properties (transferred from CAA)	2,216	-	-	-	-	(2,216)
Capital grants and contributions unapplied credited to the CIES	(8,290)	-	-	-	8,290	-
Benefit accrual	331	-	-	-	-	(331)
IFRS9 statutory reversal	1,483	-	-	-	-	(1,483)
<b>Total Adjustments to Revenue Resources</b>	<b>40,928</b>	<b>15,737</b>	<b>-</b>	<b>-</b>	<b>8,290</b>	<b>(64,954)</b>
<b>Adjustments between Revenue and Capital Resources</b>						
Trf of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(12,087)	(3,667)	15,755	-	-	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	2,738	-	(2,738)	-	-	-
Posting of HRA resources from revenue to the MRR	-	(5,641)	-	5,641	-	-
Statutory provision for the repayment of debt (transfer from CAA)	(927)	-	-	-	-	927
Capital expenditure financed from revenue balances (transfer to CAA)	(3,194)	(2,373)	-	-	-	5,567
<b>Total Adjustments</b>	<b>(13,469)</b>	<b>(11,681)</b>	<b>13,016</b>	<b>5,641</b>	<b>-</b>	<b>6,493</b>
<b>Adjustments to Capital Resources</b>						
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	(19,604)	-	-	19,604
Use of the MRR to finance capital expenditure	-	-	-	(5,023)	-	5,023
Application of capital grants and contributions to finance capital expenditure	-	-	-	-	(8,421)	8,421
<b>Total Adjustments to Capital Resources</b>	<b>-</b>	<b>-</b>	<b>(19,604)</b>	<b>(5,023)</b>	<b>(8,421)</b>	<b>33,047</b>
<b>Total adjustments</b>	<b>27,458</b>	<b>4,055</b>	<b>(6,588)</b>	<b>618</b>	<b>(130)</b>	<b>(25,414)</b>

**General Fund balance** – this is a statutory fund in which all the receipts and expenditure of the Council are accounted. It summarises the resources the Council has to spend on its services or on capital investment at the end of the financial year.

**Housing Revenue Account** – this reflects the statutory obligation to maintain a revenue account for local authority council housing provision. It contains the balance on income and expenditure that is available to fund future expenditure in connection with the landlord's function.

**Capital receipts reserve** – this holds the proceeds from the disposal of capital assets which can only be used to fund new capital expenditure or be set aside to fund financial historical capital expenditure (ie debt). The balance is the resources yet to be applied at the end of the year.

**Major repairs reserve** – the Council is required to maintain a major repairs reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance is the resources yet to be applied at the end of the year.

**Capital contributions unapplied** – this holds the grants and contributions received towards

## GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

capital projects where the Council has met the conditions that would otherwise require repayment but the money has not yet been spent. 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.

### 23. Unusable Reserves

The following table summarises the unusable reserves (i.e. non-cash reserves) held by the council, with more detail for each reserve below.

31 March 2020 £000		31 March 2021 £000
242,599	Revaluation Reserve	251,332
425	Financial Instruments Reserve	1,657
396,637	Capital Adjustment Account	395,130
(113,567)	Pensions Reserve	(143,258)
(515)	Collection Fund Adjustment Account	(24,204)
(686)	Accumulated Absences Account	(686)
<b>524,893</b>		<b>479,971</b>

#### Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its PP&E. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- 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.

2019-20 £000			2020-21 £000
242,017	<b>Balance at 1 April</b>		242,599
(5,078)	Upward / (downward) revaluation of assets	(5,365)	
14,262	(Upward) / downward revaluation of assets not charged to the Surplus on Provision of Services	18,823	
9,185	Surplus on revaluation of non-current assets not posted to the Surplus on Provision of Services		13,458
(4,152)	Difference between fair value depreciation and historical cost depreciation	(4,181)	
(4,451)	Accumulated gains on assets sold or scrapped	(544)	
(8,603)	Amounts written off to the Capital Adjustment Account		(4,725)
<b>242,599</b>	<b>Balance at 31 March</b>		<b>251,332</b>

#### Financial Instruments reserve

This reserve contains the gains made by the Council arising from increases in its value of investments classified as Fair Value through Profit and Loss (FVPL) which are eligible for the governments Statutory Override.

## GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

2019-20	2020-21
£000	£000
<b>1,908</b> Balance at 1 April	<b>425</b>
(1,483) Upward/(downward) revaluation of investment in year	1,232
<b>425</b> Balance at 31 March	<b>1,657</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 CIES. 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 on investment properties and gains recognised on donated assets that have yet to be consumed by the Council.

The account also contains revaluation gains accumulated on PP&E before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

2019-20		2020-21
£000		£000
<b>404,492</b> Balance at 1 April		<b>396,637</b>
	<u>Reversal of items debited or credited to the CIES:</u>	
(13,775)	Charge for depreciation of non-current assets	(13,775)
(7,000)	Revaluation gains / (losses) on PPE	(3,507)
(485)	Amortisation of intangible assets	(629)
(14,647)	Revenue expenditure funded from capital under statute	(15,424)
(600)	Impairment	0
(17,520)	Amounts of non-current assets written off on disposal or sale as part of the gain on disposal to the CIES	(2,373)
<b>(54,027)</b>		<b>(35,708)</b>
8,603	Adjusting amounts written out of the Revaluation reserve	4,405
<b>(45,424)</b>	Net written out amount of the cost of non-current assets consumed in the year	<b>(31,303)</b>
	<u>Capital financing applied in the year:</u>	
19,603	Use of the Capital Receipts Reserve to finance new capital expenditure	8,902
5,023	Use of the Major Repairs Reserve to finance new capital expenditure	3,662
8,421	Use of capital grants and contributions to finance new capital expenditure	8,669
927	Provision for the financing of capital investment charged against the GF and HRA balances (MRP)	1,288
5,566	Capital expenditure charged against the GF and HRA balances	7,839
<b>39,540</b>		<b>30,360</b>
(1,970)	Movements in the market value of Investment Properties debited or credited to the CIES	(564)
<b>396,637</b> Balance at 31 March		<b>395,130</b>

### Pensions Reserve

This 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 CIES as the benefits are earned by employees accruing years of service, updating the liabilities

## GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The 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.

2019-20		2020-21
£000		£000
(115,983)	<b>Balance at 1 April</b>	(113,567)
11,489	Remeasurements of the net defined benefit liability	(29,493)
(12,687)	Reversal of items relating to retirement benefits debited or credited to the Deficit on the Provision of Services in the CIES	(10,512)
3,614	Employer's pensions contributions and direct payments to pensioners payable in the year	10,314
<b>(113,567)</b>	<b>Balance at 31 March</b>	<b>(143,258)</b>

### Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates income in the CIES as it falls due from council tax payers and business rates payers compared with the statutory arrangements for paying across amounts to the GF from the Collection Fund.

2019-20		2020-21
£000		£000
(2,444)	<b>Balance at 1 April</b>	(515)
	<b>o.b adjustment</b>	32
1,929	Amount by which council tax and non-domestic rates income credited to the CIES is different from income calculated for the year in accordance with statutory requirements	(23,721)
<b>(515)</b>	<b>Balance at 31 March</b>	<b>(24,204)</b>

### 24. Capital Expenditure and Capital Financing

The table below shows the total amount of capital expenditure incurred in the year together with the resources that have been used to finance it.

Where capital expenditure is to be financed in future years (as assets are used) by charges to revenue, the expenditure results in an increase in the Capital Financing Requirement (CFR). The CFR is a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the CIES in the year (revenue expenditure funded from capital under statute – REFCUS). Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the MIRS from the GF Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

## GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

2019-20		2020-21
£'000		£'000
297,578	<i>Opening Capital Financing Requirement</i>	314,996
	<i>Capital Investment</i>	
17,732	Operational assets	18,964
17,632	Non-operational assets	2,038
1,011	Intangible assets	1,187
2,376	Long Term Investments	2,959
3,565	Long term debtors	1,973
14,642	Revenue Expenditure Funded from Capital under Statute	15,424
	<i>Sources of finance</i>	
(7,604)	Specific Capital Grants	(7,126)
(19,604)	Capital Receipts	(8,902)
(817)	Contributions	(1,543)
(6,493)	Direct Revenue Financing and MRP / VRP	(9,128)
(5,023)	HRA Major Repairs Reserve	(3,661)
<b>314,996</b>	<b><i>Closing Capital Financing Requirement</i></b>	<b>327,181</b>
17,418	<i>Movement during the year</i>	12,185
	Increase in underlying need to borrow (unsupported by government financial assistance)	

### 25. 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 from the lessor to the lessee. 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.

#### **Council as Lessee**

##### *Finance leases*

PP&E held under finance leases is recognised on the Balance Sheet at the date of inception of the lease at fair value

PP&E recognised under a finance lease is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual provision is made from revenue towards the deemed capital investment in accordance with statutory requirements. Depreciation and impairment losses are therefore replaced by revenue provision in the GF Balance, by way of an adjusting transaction with the Capital Adjustment Account in the MIRS for the difference between the two.

The Council has acquired a number of assets under finance leases over time. They are included on the Balance Sheet at the following net amounts:

## GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

<b>2019-20</b>		<b>2020-21</b>
<b>£'000</b>		<b>£'000</b>
2,889	Council Dwellings	3,022
11,347	Other Land & Buildings	10,483
<b>14,236</b>		<b>13,505</b>

There are no liabilities recorded on the balance sheet because the Council paid premiums at the start of these leases and there are no more payments due.

### *Operating leases*

Rentals paid under operating leases are charged to the CIES as an expense to 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 (for example there is a rent-free period at the commencement of the lease).

### **Council as Lessor**

#### *Finance leases*

Where the Council grants a finance lease for an item of PP&E, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether PP&E or Assets Held for Sale) is written off to the CIES, and any premium received is credited to the CIES, as part of the gain or loss on disposal.

The accounting treatment is the same as for PP&E disposals described in note 12.

The Council has leased out a number of investment properties on finance leases with remaining lease terms of 60 years or more. In each case a premium was paid to the Council by the lessee in order to enter into the lease and there are no future minimum lease payments due.

### *Operating leases*

Where the Council grants an operating lease for an item of PP&E or an investment property, the asset is retained in the Balance Sheet. Rental income is credited to the CIES on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (for example, there is a premium paid at the commencement of the lease).

The Council leases out operational property under operating leases primarily for the provision of social housing and community services such as sports facilities. It also leases out investment property under operating leases.

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

<b>2019-20</b>		<b>2020-21</b>
<b>£'000</b>		<b>£'000</b>
6,731	Less than one year	8,820
22,552	one year to five years	28,978
308,475	Later than five years	314,332
<b>337,758</b>		<b>352,130</b>

# GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

## 26. Defined Pension Benefit

### Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme administered by Surrey County Council. Most of the Council's employees are members. The scheme provides defined benefits (retirement lump sums and pensions) to members that they have earned as Council employees. It is a funded 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 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 Board of Surrey County Council. Policy is determined in accordance with the Pension Fund Regulations. The investment managers of the Fund are appointed by the Board and consist of eleven investment fund managers plus private equity fund managers.

The principal risks to the Council of the scheme are the longevity of members, 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 a certain extent by the statutory requirements to charge to the GF the amounts required by statute as described in the accounting policies note.

The scheme is a multi-employer plan. Employers are required by regulation to meet the minimum contributions as set out in the Rate and Adjustments Certificate for the relevant actuarial valuation. For 2020-21 this would be the valuation carried out as at March 2019.

If another entity was to be unable to meet required funding commitments to the Fund and no suitable guarantee was available, either in the form of a bond or a charge on assets or a parent organisation, then any deficit would be spread across existing fund employers.

If the Council were to withdraw from the scheme, the fund actuary would carry out a cessation valuation to calculate its plan liabilities and assets. Any deficit on this valuation would need to be recovered through a final contribution to the fund. Any surplus would not be recoverable.

### Transactions Relating to Post-employment Benefits

The Council's participation in the Local Government Pension Scheme is accounted for as a defined benefits scheme.

- the liabilities of the pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – that is 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% (based on the indicative rate of return on high quality corporate bond over a range of periods).
- the assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value using the following bases:
  - quoted securities – current bid price
  - unquoted securities – professional estimate

## GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

- 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 liabilities as result of years of service earned this year – allocated in the CIES to the services for which the employees worked
  - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the CIES, within the Resources Directorate.
  - net interest on the net defined benefit liability, i.e. 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 FIIE line in the CIES – 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 during the period as a result of contribution and benefit payments
- Re-measurements comprising:
  - the return on plan assets (excluding amounts included in the net interest on the net defined benefit liability) – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to 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 – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- Contributions paid to the Surrey County Council Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the GF 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. In the MIRS, this means that there are appropriations to and from the Pensions 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 Pensions Reserve thereby measures the beneficial impact to the GF 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 also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. These are unfunded defined benefit arrangements under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due. They are accounted for using the same policies as are applied to the Local Government Pension Scheme.

## GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the MIRS.

The following transactions have been made in the CIES and the GF Balance via the MIRS during the year:

2019-20	Pension Costs	2020-21
£000		£000
	<b>Comprehensive Income &amp; Expenditure Statement</b>	
	<b>Service Cost</b>	
9,694	Current service cost	7,832
130	Past service cost (including curtailments)	26
<b>9,824</b>	<b>Total Service Cost</b>	<b>7,858</b>
	<b>Financing and Investment Income and Expenditure:</b>	
(4,698)	Interest income on plan assets	(4,000)
7,561	Interest cost on defined benefit obligation	6,654
<b>2,863</b>	<b>Total Net Interest</b>	<b>2,654</b>
<b>12,687</b>	<b>Total Post Employment Benefits charged to the Surplus or Deficit on the Provision of Services</b>	<b>10,512</b>
	<b>Remeasurement of the Net Defined Liability comprising:</b>	
(23,366)	Return on plan assets excluding amounts included in net interest	48,767
31,656	Actuarial (gains)/losses arising from changes in financial assumptions	(81,268)
3,199	Other experience	3,008
<b>11,489</b>	<b>Total remeasurements recognised in Other Comprehensive Income (OCI)</b>	<b>(29,493)</b>
<b>24,176</b>	<b>Total Post Employment Benefits charged to the CIES</b>	<b>(18,981)</b>

### 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 plan is as follows:

2019-20		2020-21
£000		£000
	<b>Movement in Reserves Statement</b>	
<b>(12,687)</b>	Reversal of net charges made to the Surplus or Deficit on the provision of services for post employment benefits in accordance with the code	<b>(10,512)</b>
	<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>	
<b>3,614</b>	<b>Employers' contributions payable to scheme</b>	<b>10,314</b>

### Reconciliation of the Movements in the Fair Value of the Scheme Assets:

2019-20		2020-21
£000		£000
175,259	Fair value of plan assets	231,846
(285,856)	Present value of funded liabilities	(371,988)
(2,970)	Present value of unfunded liabilities	(3,116)
<b>(113,567)</b>	<b>Net Liability arising from Defined Benefit Obligation</b>	<b>(143,258)</b>

## GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

### Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

2019-20		2020-21
£000		£000
196,712	Opening fair value of the scheme assets	175,259
4,698	Interest income	4,000
	<b>Remeasurement gain</b>	
(23,366)	Return on plan assets excluding amounts included in net interest	48,767
3,614	Contributions from employer	10,314
1,518	Contributions from employees into the scheme	1,474
(7,917)	Benefits paid	(7,968)
<b>175,259</b>	<b>Closing Fair Value of Scheme Assets</b>	<b>231,846</b>

2019-20		2020-21
£000		£000
312,695	Opening fair value of the scheme liabilities	288,826
9,694	Current service cost	7,832
7,561	Interest cost	6,654
1,518	Contributions from scheme participants	1,474
	<b>Remeasurement gain</b>	
(31,656)	Actuarial (gains)/losses arising from changes in financial assumptions	81,268
(3,199)	Other	(3,008)
130	Past Service Cost	26
(7,917)	Benefits paid	(7,968)
<b>288,826</b>	<b>Closing Fair Value of Scheme Liabilities</b>	<b>375,104</b>

# GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

## Pension Scheme Assets Comprised:

Asset Category	31-Mar-21				31-Mar-20			
	Quoted Prices in Active Markets £(000s)	Prices not quoted in Active markets £(000s)	Totals £(000s)	%	Quoted Prices in Active Markets £(000s)	Prices not quoted in Active markets £(000s)	Totals £(000s)	%
<b>Equity Securities:</b>								
Consumer	5,022.0	-	5,022.0	2%	5,000.9	-	5,000.9	3%
Manufacturing	2,529.1	-	2,529.1	1%	3,732.7	-	3,732.7	2%
Energy and utilities	488.3	-	488.3	0%	1,356.6	-	1,356.6	1%
Financial Institutions	3,021.2	-	3,021.2	1%	2,951.4	-	2,951.4	2%
Health and Care	2,124.6	-	2,124.6	1%	3,018.3	-	3,018.3	2%
Information Technology	7,018.0	-	7,018.0	3%	5,720.5	-	5,720.5	3%
Other	-	-	-	0%	99.5	-	99.5	0%
<b>Debt Securities</b>								
Corporate Bonds (investment grade)	-	-	-	0%	-	-	-	0%
Corporate Bonds (non-investment grade)	-	-	-	0%	-	-	-	0%
UK Government	-	10,745.6	10,745.6	5%	-	9,909.6	9,909.6	6%
Other	-	-	-	0%	-	-	-	0%
<b>Private Equity</b>								
All	-	15,904.2	15,904.2	7%	-	14,021.5	14,021.5	8%
<b>Real Estate</b>								
UK Property	3,318.60	5,086.90	8,405.5	4%	3,033.50	5,738.30	8,771.8	5%
Overseas Property	-	4,095.00	4,095.0	2%	-	3,851.00	3,851.0	2%
<b>Investment Funds and Unit Trusts</b>								
Equities	137,268.0	-	137,268.0	59%	92,219.9	-	92,219.9	53%
Bonds	29,239.0	-	29,239.0	13%	20,398.8	-	20,398.8	12%
Hedge funds	-	-	-	-	-	-	-	-
Commodities	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Derivatives</b>								
Inflation	-	-	-	-	-	-	-	-
Interest Rate	-	-	-	-	-	-	-	-
Foreign Exchange	707.8	-	707.8	0%	(1,761.5)	-	(1,761.5)	(1%)
Other	-	-	-	-	-	-	-	-
<b>Cash and Cash Equivalents</b>								
All	5,277.0	-	5,277.0	2%	5,968.0	-	5,968.0	3%
<b>Totals</b>	<b>196,014</b>	<b>35,832</b>	<b>231,845</b>	<b>100%</b>	<b>141,739</b>	<b>33,520</b>	<b>175,259</b>	<b>101%</b>

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumption about mortality rates, salary levels etc. The County Council fund liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries. The Actuary has prepared the figures by applying a 'roll-forward' approach to the last formal valuation, which was as at 31 March 2019.

## GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

The main financial assumptions used in their calculation have been:

2019-20		2020-21
<b>Mortality assumptions:</b>		
<b>Longevity at 65 for current pensioners:</b>		
22.1 years	Men	22.3 years
24.3 years	Women	24.7 years
<b>Longevity at 65 for future pensioners:</b>		
22.9 years	Men	23.4 years
25.7 years	Women	26.4 years
1.9%	<b>Rate of Inflation (CPI)</b>	2.9%
2.8%	<b>Rate of increase in salaries*</b>	3.8%
1.9%	<b>Rate of increase in pensions</b>	2.9%
2.3%	<b>Rate for discounting scheme liabilities</b>	2.0%

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 the 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.

Change in Assumptions at 31 March 2021	Approximate %	Approximate monetary
	increase to Employer	amount (£000)
0.5% decrease in Real Discount rate	10%	37,676
0.5% increase in the Salary Increase Rate	1%	3,336
0.5% increase in the Pension Increase Rate	9%	33,565

The principal demographic assumption is the longevity assumption (i.e. member life expectancy). For sensitivity purposes, the Actuary has estimated that a one-year increase in life expectancy would approximately increase the Employer's Defined Benefit Obligation by around 3% to 5%. In practice the actual 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)

### Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. Funding levels are monitored on an annual basis. The triennial valuation carried out as at 31 March 2019 applies from 1 April 2020.

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 pension 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.

## GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

The weighted average duration of the defined benefit obligation for scheme members is 21 years.

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £143 million has a substantial impact on the net worth of the Council as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy; the deficit will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

### 27. **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 as a note to the accounts.

Municipal Mutual Insurance Limited may claim an amount of up to £517,000 in relation to the company's liability for asbestos induced mesothelioma claims arising on the Council's liability account. During 2012-13 the directors of Municipal Mutual Insurance Limited triggered the scheme of arrangement, with an initial levy rate of 15%. A further levy of 10% was raised in 2015-16. The Council has paid both of them. There may be further levies at some time in the future, but there is no indication of when or how much.

### 28. **Contingent Assets**

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed as a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

The council had no contingent assets.

### 29. **Financial Instruments**

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity investment of another entity. They are recognised on the balance sheet when the Council becomes party to the contractual provisions of the financial instrument.

#### **Financial Liabilities**

A financial liability is an obligation to transfer economic benefits controlled by the Council. It can be a contractual obligation to deliver cash, financial assets or an obligation to exchange financial assets and liabilities with another entity that are potentially unfavourable to the Council.

They are initially measured at fair value and are subsequently measured and carried on the Balance Sheet at their amortised cost.

Annual charges to the Financing and Investment Income and Expenditure (FIIE) line in the

## GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

CIES for interest payable are based on the carrying amount of the liability, multiplied by the effective interest rate 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.

Financial liabilities held at the balance sheet date consist of long-term loans with the Public Works Loan Board (PWLB), bank overdraft and trade payables for goods and services received. For the Council's loans, the amount presented in the Balance Sheet is the outstanding principle repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

The financial liabilities disclosed in the balance sheet are analysed across the following categories:

FINANCIAL LIABILITIES	Long-term		Short-term	
	31 March 2021 £000	31 March 2020 £000	31 March 2021 £000	31 March 2020 £000
<b>Borrowing</b>				
<u>Loans at amortised cost</u>				
- Principal sum borrowed	147,435	192,435	163,500	44,230
- Accrued interest	-	-	276	264
- Internal charities	-	-	(2)	(2)
<b>Total Borrowing</b>	<b>147,435</b>	<b>192,435</b>	<b>163,774</b>	<b>44,492</b>
<u>Loans at amortised cost</u>				
- Bank overdraft	-	-	-	407
<b>Total Cash Overdrawn</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>407</b>
Trade payables (Creditors)	-	-	8,875	2,253
Other trade payables	-	-	27,373	
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>147,435</b>	<b>192,435</b>	<b>200,022</b>	<b>47,152</b>
<b>Total Non-financial assets</b>			<b>30,300</b>	
<b>Total Liabilities</b>	<b>147,435</b>	<b>192,435</b>	<b>230,322</b>	<b>47,152</b>

The short-term creditors line on the balance sheet include £30.300 million (£30.418 million in 2019-20) short-term creditors that do not meet the definition of a financial liability.

All non-derivative financial liabilities are carried in the balance sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2021, using the following methods and assumptions:

- loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans
- the fair values of other long-term loans have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March 2021
- no early repayment or impairment is recognised for any financial instrument
- the fair value of short-term instruments, including trade payables, is assumed to approximate to the carrying amount.

## GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

Financial Liabilities	Fair value level	Balance sheet 31 March 2021 £'000	Fair value 31 March 2021 £'000	Balance sheet 31 March 2020 £'000	Fair value 31 March 2020 £'000
Forward contracts in the Counterparty's favour	2	-	-	-	-
<i>Financial liabilities held at amortised cost:</i>					
Long-term loans from PWLB	2	147,435	171,307	192,435	215,727
Creditors	1	36,400	36,400	-	-
<b>Total Liabilities held at fair value</b>		<b>183,835</b>	<b>207,707</b>	<b>192,435</b>	<b>215,727</b>
Liabilities for which fair value is not disclosed		163,774		47,152	
<b>Total Financial Liabilities</b>		<b>347,609</b>		<b>239,587</b>	
<i>Recorded on balance sheet as:</i>					
Long-term creditors		-		-	
Long-term borrowing		147,435		192,435	
Other long-term liabilities					
Short-term creditors		36,400		2,253	
Short-term borrowing		163,774		44,899	
<b>Total Financial Liabilities</b>		<b>347,609</b>		<b>239,587</b>	

The liabilities for which fair value is not disclosed comprise of short-term financial liabilities that are assumed to be approximate to the carrying amount, including both short-term borrowing and trade payables

We have judged that it is appropriate to calculate the fair value of PWLB loans by reference to rates from the local authority bonds market as adjusted for interest rate swap rates available from Bloomberg.

The fair value of long-term PWLB loans held at amortised cost is higher than their balance sheet carrying amount because the Council's portfolio of loans includes a number of loans where the interest rate payable is higher than the current rates available for similar loans at the balance sheet date.

### Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash or other instruments or a contractual right to receive cash or another financial asset.

There are three classifications for financial assets under the Code of Practice

- amortised cost
- fair value through other comprehensive income
- fair value through profit and loss

Financial assets are classified into these three categories based on the Council's business model for holding the assets and their cash flow characteristics.

Amortised Cost (cash flows re solely payments of principal and interest and the Council's business model is to collect those cash flows)

These comprise:

- cash in hand
- bank current and deposit accounts with HSBC Bank PLC
- fixed term deposits with banks and building societies
- loans to other local authorities
- loans to small companies and housing associations
- covered bonds issued by banks and building societies

## GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

- trade receivables for goods and services provided

These financial assets are initially measured at fair value and are subsequently measured and carried on the Balance Sheet at their amortised cost. Annual credits to the FIIE line in the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

For the Council's financial assets this means that they are presented in the balance sheet as the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the investment agreement.

Any gains or losses that arise on the derecognition of an asset are credited or debited to the FIIE line in the CIES.

Fair value through other comprehensive income (where cash flows are solely payments of principal and interest and the Council's business model is to both collect those cash flows and sell the instrument)

The Council does not currently hold any financial assets with this categorisation.

Fair value through profit and loss (all other financial assets)

These financial assets comprise:

- money market funds
- pooled funds
- shares in Guildford Holdings Ltd, B4SH and Surrey Save

Details of the Council's investment holdings can be found in the Capital and Investment Outturn Report reported to the Executive in August 2021.

These are initially measured and carried at fair value. Changes in fair value are taken to the CIES within the FIIE line, and are gains and losses recognised in the GF. However, the Government introduced a 5-year statutory override for this impact for pooled funds, whereby the gain or loss in year can be reversed out via the MIRS and held in the Financial Instruments Reserve.

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the FIIE line in the CIES, along with any accumulated gains or losses previously recognised in the Financial Instruments Reserve.

### **Expected Credit Loss Model**

The Council recognises expected credit losses on all of its financial assets held at amortised cost either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

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 financial assets included in the balance sheet are as follows.

## GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

FINANCIAL ASSETS	Long-term		Short-term	
	31 March 2021	31 March 2020	31 March 2021	31 March 2020
	£000	£000	£000	£000
<b>Investments</b>				
<u>Amortised cost</u>				
- Principal	22,579	31,430	77,115	41,851
- Accrued interest	57	596	379	218
<u>Fair value through profit and loss</u>				
- Fair value	2,080	10,144	15,758	17,120
<b>Total Investments</b>	<b>24,716</b>	<b>42,170</b>	<b>93,252</b>	<b>59,189</b>
<b>Cash and Cash Equivalents</b>				
<u>Amortised cost</u>				
- Cash	-	-	99	6
- Cash equivalents	-	-	322	528
- Accrued interest	-	-	-	-
<u>Fair value through profit and loss</u>				
- Cash equivalents	-	-	40,234	14,506
<b>Total Cash and Cash Equivalents</b>	<b>-</b>	<b>-</b>	<b>40,655</b>	<b>15,040</b>
Trade Receivables(Debtors)	533	-	10,886	3,950
Other Receivables	-	-	9,398	4,607
<u>FVPL</u>				
Loan to company	12,256	-	-	-
<b>TOTAL FINANCIAL ASSETS</b>	<b>37,505</b>	<b>42,170</b>	<b>154,191</b>	<b>82,786</b>
<b>Total Non-financial assets</b>	<b>7,432</b>	<b>5,459</b>	<b>31,980</b>	
<b>Total Assets</b>	<b>44,937</b>	<b>47,629</b>	<b>186,171</b>	<b>82,786</b>

The short-term debtors line in the balance sheet includes £31.980M (£4.607 million in 2019-20) of short-term debtors that do not meet the definition of a financial asset.

Financial assets	Fair value level	Balance sheet 31 March 2021 £'000	Fair value 31 March 2021 £'000	Balance sheet 31 March 2020 £'000	Fair value 31 March 2020 £'000
<b>Financial assets held at fair value:</b>					
Money market funds	1	40,234	40,234	14,506	-
Bond, equity and property funds	1	17,728	17,728	14,487	-
Loan to unlisted company	3	12,256	12,256	-	-
Shares in unlisted companies	3	110	110	110	5,570
<b>Financial assets held at amortised cost:</b>					
Corporate, covered and government bonds	1	18,259	18,259	19,167	19,030
Short-term bank deposits	2	3,005	3,005	-	-
Short-term loans to local authorities	2	68,322	68,322	-	-
Long-term loans to local authorities	2	10,542	10,542	27,500	28,209
<b>Total Assets held at fair value</b>		<b>170,456</b>	<b>170,456</b>	<b>81,230</b>	<b>52,809</b>
Assets for which fair value is not disclosed		21,241	-	49,185	-
<b>Total Financial Assets</b>		<b>191,697</b>	<b>-</b>	<b>130,415</b>	<b>-</b>
<i>Recorded on balance sheet as:</i>					
Long-term debtors		12,789.00	-	8,717	-
Long-term investments		24,716.00	-	42,170	-
Short-term debtors		20,284.00	-	5,706	-
Short-term investments		93,253.00	-	59,189	-
Cash and Cash Equivalents		40,655.00	-	14,633	-
<b>Total Financial Assets</b>		<b>191,697</b>	<b>-</b>	<b>130,415</b>	<b>-</b>

## GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

The fair value of short-term financial assets including trade receivables (debtors), and short-term investments as loans and receivables, is assumed to approximate to the carrying amount.

The fair value of financial assets held at amortised costs is the same as the balance sheet carrying amount as the amortised cost is the value of the investment plus the interest.

The shares in unlisted companies comprise of Guildford Holdings Ltd, B4SH and Surrey Save Shares.

No credit loss adjustment has been made on the North Downs Housing Limited loans (shown in long-term debtors):

- The market valuation at 31 March 2021 of the 48 properties purchased prior to 1 April 2020 stood at £13.2 million.
- We purchased another 17 properties in 2020-21 with expenditure of £4.9 million, bringing the total asset value to be £18.1 million.
- The company is financed by through a loan (£11.141 million – plus £1.113M interest) and equity (£7.433 million) from the Council. The loan represents 60% of the company assets, while equity represents 40% of total assets.
- The company business plan always assumed it was loss making in the first 5 years, the purchase of properties has been slower than planned so it is therefore assumed the period of making a loss is now the first 8 years.
- The company is 100% wholly owned and the assets revert back to the Council if the company becomes insolvent.
- RICS March 2020 contains market information for the UK rental sector (particularly in the south east) <https://www.rics.org/uk/news-insight/research/market-surveys/uk-residential-market-survey>.
- In addition, unemployment is low locally which would indicate a steady property rental market going forward (<https://www.nomisweb.co.uk/reports/lmp/la/1946157330/report.aspx>)

### **Offsetting Financial Assets and Liabilities**

Financial assets and liabilities are set off against each other where the Council has a legally enforceable right to sell off and it intends to either settle on a net basis or to realise the asset and settle the liability simultaneously. The only item offset on the balance sheet is the bank overdraft, which is shown within cash and cash equivalents. The Council had no other financial assets or liabilities subject to an enforceable master netting arrangement or similar agreement.

### **Gains and Losses**

The gains and losses recognised in the CIES in relation to financial instruments consist of the following items:

## GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

2019-20					2020-21			
Financial Liabilities (amortised cost) £000	Financial Assets: Amortised cost £000	Financial Assets: Fair Value through P&L £000	Total £000		Financial Liabilities (amortised cost) £000	Financial Assets: Amortised cost £000	Financial Assets: Fair Value through P&L £000	Total £000
5,769	-	-	5,769	Interest expense	5,280	-	-	5,280
-	-	1,483	1,483	(Gains) / losses on revaluation	-	-	(1,232)	(1,232)
5,769	-	1,483	7,252	<b>Total expense in Surplus on the Provision of Services</b>	5,280	-	(1,232)	4,048
-	(981)	(1,137)	(2,118)	Interest income	-	1,699	748	2,447
-	(981)	(1,137)	(2,118)	<b>Total income in Surplus on the Provision of Services</b>	-	1,699	748	2,447
-	-	-	-	(Gains) / losses on revaluation	-	-	-	-
-	-	-	-	<b>(Surplus) / deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure</b>	-	-	-	-
5,769	(981)	346	5,134	<b>Net (gain)/loss for the year</b>	5,280	1,699	(484)	6,495

### Transaction Costs

Material transactions costs for financial assets and liabilities held at amortised cost are attached to the loan or investment and charged to the CIES over the life of the financial instrument. Immaterial transaction costs are charged in full to the CIES in the financial year in which they are incurred.

### 30. Nature And Extent Of Risks Arising From Financial Instruments

The Council has adopted CIPFA's Code of Practice on Treasury Management (and subsequent amendments) and complies with the Prudential Code for Capital Finance in Local Authorities (both revised in December 2017).

As part of the adoption of the Treasury Management Code, the Council approves a capital and investment strategy before the commencement of each financial year. The strategy sets out the parameters for the management of risks associated with financial instruments. The Council also produces treasury management practices specifying the practical arrangements to follow to manage these risks.

The capital strategy includes an Annual Investment Strategy in compliance with the MHCLG Guidance on Local Government Investments. This Guidance emphasises that priority is given to security and liquidity, rather than yield. The Council's capital strategy, together with its treasury management practices are based on achieving a suitable balance between risk and return or cost.

The council's activities expose it to a variety of financial risks:

- 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 cash available to make contracted payments on time
- market risk – the possibility that an unplanned financial loss might arise as a result of changes in market variables such as interest rates or equity prices.

#### Credit risk: Investments

The Council manages credit risk by ensuring that investments are placed with organisations of high credit quality and in line with the approved capital and investment strategy (the definition of high credit quality is set in the strategy). These include commercial entities with a minimum long-term credit rating of A-, the UK government, other local authorities, and organisations without credit ratings, or with a credit rating of below A-, where the Council has received

## GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

independent investment advice. We have set our high credit quality criteria as A-, however we do have allowance in our capital strategy to invest in counterparties below this.

The capital and investment strategy also imposes a maximum sum the Council can invest with a financial institution or group other than the UK government. This is £10 million maximum, of which only £6 million may be on unsecured investments. The Council sets limits on investments in certain sectors. A maximum sum for long-term investments (greater than a year) is also set.

All investments in 2020-21 were in line with the Council's approved capital strategy.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of non-recovery applies to all of the Council's deposits, but there was no evidence at the balance sheet date that this was likely to materialise.

£17.1 million of the Council's long-term investments are held in Covered bonds. Covered bonds are covered by a collateral pool of mostly residential mortgages (mostly 100% residential mortgages), and the pool is a greater amount than the bond is issued in, hence assigned an AAA rating. The reticence being, the collateral pool will have to constrict in value significantly before the amount covered in a bond issue is affected. Both the pool and the bond comply with FCA regulations which reduces the risk of substantial losses.

The table below summarises the credit risk exposures of the Council's investment portfolio by credit rating:

Investment type	Credit rating	Long term		Short term	
		31 Mar 21 £000	31 Mar 20 £000	31 Mar 21 £000	31 Mar 20 £000
Bonds	AAA	12,024	16,044	5,151	2,060
	AA+		12,000		27,498
	AA		-		-
Bonds	AA-		-	2,093	-
Local authorities	A+		-	5,001	
Local authorities	A		-	10,002	
Notice Account & Housing Association	A		6,000	9,010	8,040
Housing associations	A-		-	2,002	2,000
Bond held in custody			-		1,123
Local authorities	n/a	4,500	-	51,953	
Housing associations	n/a		-		5,007
Guildford Holdings	n/a	8,418	6,056		-
Surrey Save Shares	n/a	100	100		-
B4SH	n/a	10	10		-
Unrated building societies	n/a		-		-
Money Market Funds	AAA		-	39,223	14,506
Call Accounts	AA-		-	322	528
Investment Funds	n/a	1,970	1,960	15,758	13,060
<b>Total Investments</b>		<b>27,022</b>	<b>42,170</b>	<b>140,514</b>	<b>73,822</b>

Loss allowance on treasury investments have been calculated by reference to historic default data published by credit ratings. The resulting loss allowance was immaterial, so no

## GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

adjustment has been made in the accounts.

### Trade Receivables

The Council does not generally allow credit for customers. Of the total trade debtors outstanding, £5.735 million, relating to services that the Council has invoiced for, is past its due date for payment. The past due amount can be analysed by age as follows:

31 March 2020		31 March 2021
£'000		£'000
2,362	Less than six months	3,382
108	Six months to one year	1,579
533	More than one year	876
3,003		5,837

The Council's credit risk on lease receivables is mitigated by its legal ownership of the assets leased, which can be repossessed if the debtor defaults on the lease contract. Loss allowances for receivables have been calculated based on historic information. Debts are deemed to be overdue when they are at least 30 days past their due date.

The value of debtors is higher in 2020/21 due to less debt recovering taking place because of Covid-19.

### Liquidity risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. The Council has access to borrowing facilities via the Public Works Loans Board (PWLB) and other local authorities and at higher rates from banks and building societies and other financial institutions. There is no perceived risk that the Council will be unable to raise finance to meet its commitments.

The Council is exposed to the risk that it will need to refinance a significant proportion of its borrowing at the time of unfavourable interest rates. The Council's strategy is to plan carefully when new loans are taken out and making early repayments where financially advantageous. The risk is also managed by maintaining a spread of fixed rate loans ensuring loans mature at different times.

The Council would only borrow in advance of need where there is a clear business case for doing so.

The maturity analysis of the principal sums borrowed is as follows:

31 March 2020		31 March 2021
£'000		£'000
	<b>Short Term Borrowing</b>	
44,230	Less than one year	163,500
	<b>Long Term Borrowing</b>	
45,000	Over 1 but not over 2 years	0
30,000	Over 2 but not over 5 years	30,000
35,000	Over 5 but not over 10 years	35,000
25,000	Over 10 but not over 15 years	25,000
40,000	Over 15 but not over 20 years	40,000
17,435	Over 20 but not over 30 years	17,435
<b>236,665</b>	<b>Total Borrowings</b>	<b>310,935</b>

All trade and other payables are due to be paid in less than one year.

## GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

### **Market risk: Interest rate risk**

The Council is exposed to risks arising from movements in interest rates on its borrowing and investments. Movement in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the surplus or deficit on the provision of services will rise
- borrowings at fixed rates – the fair value of the borrowings will fall
- investments at variable rates – the interest income credited to the surplus or deficit on the provision of services will rise
- investments at fixed rates – the fair value of the investments will fall.

Investments measured at amortised cost and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on the CIES.

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. Movements in fair value of fixed rate investments measured at fair value will be reflected in Other Comprehensive Income and Expenditure or the Surplus or Deficit on the Provision of Services as appropriate.

The Capital and Investment Strategy aims to mitigate these risks by setting upper limits for fixed and variable interest rate exposures.

If interest rates had been 1% higher (all other variables being constant) the financial effect across the whole portfolio would be an increase in interest received of approximately £1.5 million, and an increase in interest payable on loans of approximately £3 million. The impact of a 1% fall in interest rates would be as above but with the amounts reversed.

### **Market Risks: Price Risk**

The market prices of the Council's fixed rate bond investments and its units in pooled bond funds are governed by prevailing interest rates and the market risk associated with these instruments is managed alongside interest rate risk.

The Council's investment in a pooled property fund is subject to the risk of falling commercial property prices and its investment in a pooled equity fund is subject to the risk of falling share prices.. These funds are highly diversified and actively managed by FCA-regulated fund management companies with many years of experience which reduces the risk of substantial losses

The gain or loss on pooled funds are now classified as Fair Value through Profit and Loss, and charged to the FIIE line in the CIES, so all movements will have an impact in the year the movement incurred. The Government, however, has implemented a mandatory 5-year statutory override, in that the movement in year can be transferred out to a Financial Instrument Reserve via the MIRS.

### **Foreign Currency exchange risk**

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

### **31. North Downs Housing Ltd**

As at 31 March 2021, North Downs Housing Ltd had purchased 65 properties (41 at 31 March 2020), against the original business plan of 100 properties. The Council has invested £18.9 million (£13.6 million at 31 March 2020) in the company through a mix of equity and loan

## GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

finance.

Income for 2020-21 was £617,836 (£409,331 in 2019-20) with revenue expenditure of £382,336 (£296,431 in 19-20). There have not been any long-term voids.

The revised business plan assumes 23 further purchases in 2021-22.

### 32. **Critical Judgements In Applying Accounting Policies**

In applying the accounting policies, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

Although there is a degree of uncertainty about future levels of funding for local government the Council has determined that this uncertainty does not indicate that the assets of the Council might be impaired. The factors taken into account in concluding that the Council continues to be a going concern include our level of reserves, level of committed funding, budget and cash for the coming years, and the lack of proposed local government reorganisation.

#### Covid-19

Covid-19 has resulted in financial implications across the sector. The Narrative Statement provides more information relating to the Council. There is an impact on the pension fund valuation as a result of Covid-19, and also the asset valuations in the year. The main impact of COVID-19 and subsequent restrictions and lockdowns on the pension fund valuation can be summarised as:

- Asset returns and values have followed the market movements prompted by the pandemic and lockdowns, among other factors, which will therefore affect the asset share value;
- Bond yields and inflation expectations have also followed market movements, which will therefore affect the obligations value;
- Life expectancy assumptions have not been updated:
  - (a) the actuaries have not updated our baseline longevity tables due to the lack of relevant mortality data and analysis from the period of the pandemic for the Fund or Employer;
  - (b) the actuaries have not amended our future longevity trends assumption for Covid-19 specifically as the data is not yet available to make an evidence-based assessment on the pandemic's impact on longer term expectation

#### Property

In relation to the valuation of the Council's property assets on the balance sheet property markets are mostly functioning again, where there is a quantum of market evidence. Some asset types, including cinema, pubs/nightclubs and restaurants at the valuation date still continue to see unprecedented set of circumstances caused by Covid-19 and therefore an absence of sufficient / relevant market evidence on which to base judgements on. Certain assets in the portfolio are, therefore, are subject to material valuation uncertainty.

The value of PP&E on the Balance Sheet includes the value of certain land and buildings that were not formally revalued during the year under the Council's rolling programme of revaluations. The Council uses critical judgement to determine by how much the value of other land and buildings within PP&E on the Balance Sheet would have to be understated or overstated to mislead a user of the accounts and therefore to require these assets to be formally revalued.

Critical judgement has been used in identifying how assets are classified on the balance sheet. In particular, some assets that we hold to earn rental income are also held for

## GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

economic development and regeneration purposes. However, as they are not used in the direct delivery of services they have been classified as investment property.

Also, some assets that are held for their historical interest are classified as PP&E rather than heritage assets because they are also used to provide a particular service.

### Capital projects

The Weyside Urban Village project is a complex project with many elements and partners. The Council has an agreement with Thames Water and are making payments to them under the development agreement in relation to the moving of the Sewerage Treatment Works. These payments will continue until May 2026.

### Leases

Critical judgement is also used in classifying our leases as either operating or finance leases.

### Materiality

The Council has determined that a materiality level of £1 million is appropriate for inclusion of accounting policies and disclosure notes in the Statement of Accounts.

## 33. Assumptions Made About The Future And Other Major Sources Of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Council's Balance Sheet at 31 March 2021 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Business Rates	<p>Since the introduction of the Business Rates Retention Scheme effective from 1 April 2013, local authorities are liable for successful appeals against business rates charged to businesses in 2020-21 and earlier years, in their proportionate share.</p> <p>A provision of £11.384 million, of which the Council's share is £4.553 million, has been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2021. The provision has been calculated using the Valuation Office ratings list of appeals and the analysis of successful appeals to date.</p>	<p>If the level of successful appeals varies by 1%, it would increase or decrease the appeals provision by £100,100, which in turn would increase or decrease the deficit on the Collection Fund by £100,100. The Council's share of the increase or decrease would be £40,040, which would increase or decrease the surplus on provision of services in the Comprehensive Income and Expenditure Statement.</p>
Property, Plant and Equipment (PP&E) and Investment property	<p>PPE and investment property are included in the balance sheet at fair value of £796 million and £152 million respectively. Chartered surveyors are engaged to provide expert advice in the assumptions to be applied when carrying out the valuations.</p> <p>Covid-19 impacted the global financial markets, and market activity in many</p>	<p>If the valuations were changed by 1%, it would increase or decrease the value of net assets on the balance sheet by around £8 million.</p> <p>There is less certainty on the valuations and a higher degree of</p>

## GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	<p>sectors including property. For 2020/21 the majority of the market was recovering, but due to continuing effects of the pandemic a number of areas continued to be impacted – cinema, pubs and restaurants. There was insufficient reliable evidence so less weight to previous market evidence for comparison purposes was used. The valuations are based on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS red book global.</p> <p>Individual items of PP&amp;E are depreciated over estimated useful lives that are partly dependent upon assumptions about the level of repairs and maintenance that will take place.</p> <p>If the Council were not able to sustain its level of spending on the repair and maintenance of its assets in the long term the estimated useful life assigned to individual assets would need to be reduced.</p>	<p>caution needs to be placed on the figures in the accounts. It is not possible to estimate how much of a financial impact this will have on the accounts, although this is for only a small number of assets in the accounts.</p> <p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>Depreciation costs do not affect the Council's overall financial position as they form part of the adjustment between accounting basis and funding basis under regulations.</p>
Pensions Liability	<p>Estimation of the net liability to pay pensions of £143 million 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.</p>	<p>The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £37.676 million. A 0.5% increase in the salary increase rate would result in an increase in the pension liability of £3.336 million and a 0.5% increase in the Pensions increase rate would result in an increase in the pension liability of £33.565 million.</p> <p>During 2020-21, the Council's Actuary advised that the net pension's liability had increased by £29.7 million. This is as a result of an increase in the net discount rate (much lower discount rate, net of slightly higher inflation) over this period.</p>
Pensions – Covid 19	<p>There was considerable market volatility during 2020-21, which has led to additional material uncertainty regarding the Pension Fund's investment valuations, in particular private equity and pooled property investments. As these are illiquid assets, there is no direct correlation on the market value of these assets in comparison because of Covid-19.</p> <p>This uncertainty impacts both the Council and the Group Accounts</p>	<p>The effect of this is the assets held by the pension fund could decrease in value.</p>
Debtors	<p>At 31 March 2021, the Council was owed approximately £11.2 million. A review of</p>	<p>If collection rates were to deteriorate, a doubling of the</p>

## GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	significant balances suggested that an allowance for doubtful debts of £1.1 million was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	amount of doubtful debts would require an additional £2.1 million to set aside as an allowance.

### 34. Accounting Standards that have been issued but not yet adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted.

These standards are:

- IFRS3 Business Combinations (Amendments)
- Amendments to IFRS9, IAS 39 and IFRS 7 relating to Interest Rate Benchmark Reform
- Amendments to IFRS9, IAS 39, IFRS7, IFRS4 and IFRS 16 relating to phase 2 of the Interest Rate Benchmark Reform

We are not expecting these to have a material impact on the Council's financial performance or financial position in 2021-22.

### 35. Related Parties

The Council is required to disclose material transactions with related parties (bodies or individuals) that have the potential to control or influence the Council or to be controlled or influenced by the Council.

#### UK Central Government

UK Central Government has significant influence over the general operations of the Council – it provides the statutory framework, within which the Council operates, provides funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (for example council tax bills, housing benefits). Grants received from Government departments are set out in note 10.

#### Councillors and Officers

Councillors have direct control over the Council's financial and operating policies.

- The Council paid grants totalling £643,033 (£508,060 in 2019-20) to voluntary organisations in which a number of elected councillors and officers had an interest or were acting as a nominee.
- Of that, the Council paid grants totalling £609,647 (£360,220 in 2019-20) to voluntary organisations in which a number of councillors and officers were acting as a Borough Council nominee.
- The Council gave support totalling £118,145 (£362,410 in 2019-20) to the Citizens Advice Bureau in which two councillors had an interest and one councillor was acting as Borough Council nominee. In all instances, the grants were made with proper consideration of declarations of interest and the relevant councillors, although able to take part in any discussion relating to these grants, were excluded from voting.
- The Council paid a grant of £13,376, (£22,840 in 2019-20) to a voluntary organisation in which one senior officer and one councillor declared an interest, and had no part in the decision to award the grant.

## **GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21**

The Council controls North Downs Housing Limited and its parent company Guildford Borough Council Holdings Limited through its ownership of 100% of the shares of Guildford Borough Council Holdings Limited.

The Council invests in North Downs Housing Limited through a mixture of share equity (40%) and a 25-year secure variable rate loan (60%) at initial interest rate of Bank of England base rate plus 5%. The finance is used to purchase residential property within the borough.

At 31 March 2021, the Council had invested a total of £19.686 million (£14.306 million, in 2019-20 [re-stated]) in North Downs Housing, maintaining the funding ratio of loan to equity investment of 60:40. Shares in the parent company, Guildford Borough Council Holdings Limited, at 31 March 2021 totalled £7.432 million (£6.648 million in 2019-20), with the company continuing to own 100% of the share capital of North Downs Housing Limited.

The Council provides property management and administrative services to North Downs Housing Limited. During 2020-21, these services totalled £220,082 (£102,292 in 2019-20), of which all was unpaid at 31 March 2021.

# GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

## Housing Revenue Account (HRA) Income And Expenditure Statement

The HRA Income and Expenditure Statement shows the income and expenditure related to providing council dwellings in accordance with generally accepted accounting practices. However, the Council is required to charge rent to cover expenditure in accordance with the legislative framework rather than on an accounting basis. The increase or decrease in the year of the HRA balance on the legislative basis is shown in the Movement on the HRA Statement.

2019-20		NOTE	2020-21
£000			£000
	<b>Income</b>		
	Gross Rent Income	1	
29,570	Dwellings		29,874
1,189	Non-dwellings		1,298
1,502	Charges for Services and Facilities		1,114
114	Supporting People Grant		203
<b>32,375</b>	<b>Total Income</b>		<b>32,489</b>
	<b>Expenditure</b>		
6,269	Repairs and Maintenance		6,453
5,650	Supervision and Management		4,461
67	Increased Provision for Bad or Doubtful Debts		0
5,641	Depreciation	8	5,686
5,534	Revaluation (gain)/loss		(175)
195	Debt Management Expenses		217
103	Other Expenditure		102
<b>23,459</b>	<b>Total Expenditure</b>		<b>16,744</b>
<b>(8,916)</b>	<b>Net Income of HRA Services per Comprehensive Income &amp; Expenditure Statement</b>		<b>(15,745)</b>
269	HRA Share of Corporate & Democratic Core		285
<b>(8,647)</b>	<b>Net Income of HRA Services</b>		<b>(15,460)</b>
(28)	(Gain) / Loss on sale of HRA fixed assets		(107)
(356)	HRA Investment Income		(12)
5,159	Interest payable		4,902
0	Capital grants and contributions		(1,598)
<b>(3,872)</b>	<b>Surplus for year on HRA services</b>		<b>(12,275)</b>

## GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

### Movement On The Housing Revenue Account (HRA) Statement

The Movement on the HRA Statement shows the increase or decrease in the HRA balance. This forms the basis on which rent levels are set. The statement includes an adjustment line which shows the difference between the surplus (or deficit) shown in the HRA Income and Expenditure Statement (the accounting basis) and the surplus (or deficit) for funding purposes (the legislative basis).

2019-20			2020-21
			£000
2,500	Balance on the HRA at the end of the previous year		2,500
3,874	Surplus for the year on the HRA Income and Expenditure Account	12,275	
4,055	Adjustments between accounting basis and funding basis under statute (see note 23 to the Accounts)	(6,113)	
7,929	Net increase before transfers to reserves	6,162	
(7,929)	Transfers to reserves (see note 12 to the Accounts)	(6,162)	
-	Increase in year on the HRA		0
<b>2,500</b>	<b>Balance on the HRA at the end of the current year</b>		<b>2,500</b>

### Notes To The Housing Revenue Account

#### 1. Gross Rent Income

This is the total rent income due for the year after allowance is made for voids etc. During the year, voids amounted to £1 million or 3.59% of gross rent income from dwellings (£663,421 or 2.24% for 2019-20). Average rents were £113.74 per week in 2020-21, an increase of £3.59 over the previous year.

#### 2. Rent Arrears

At 31 March 2021, rent arrears were £1,220,592 (including £444,580 former tenant arrears) or 4.1% of gross rent income. The comparable figures for 2019-20 were £1,210,889 (including £922,405 former tenant arrears) or 4.1% of gross rent income.

The provision for bad debts at 31 March 2021 was £871,917. The comparable figure for 2019-20 was £907,953.

Amounts written off in the year amounted to £36,000 (£88,587 in 2019-20)

## GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

### 3. Housing Stock

The Council was responsible for managing on average 5,231 dwellings in 2020-21, analysed below:

<b>2019-20 Average</b>		<b>2020-21</b>
2,642 Houses		2,647
2,257 Flats		2,265
319 Bungalows		319
<b>5,218</b>		<b>5,231</b>
<b>2019-20</b>		<b>2020-21</b>
5,207 Stock at 1 April		5,228
-19 Less Sales		-9
40 Other Adjustments		43
<b>5,228 Stock at 31 March</b>		<b>5,262</b>

### 4. Stock Valuation – Balance Sheet Basis

The basis for the balance sheet valuation of the Council's housing stock is Existing Use Value – Social Housing (EUV – SH) as defined by the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual. The EUV – SH is broadly based on the vacant possession value of the properties, adjusted to reflect the occupation by a secure tenant. The valuation was carried out by Bruton Knowles, Chartered Surveyors. The date of the valuation was as at March 2021.

The balance sheet value increases where new dwellings and properties are built or acquired and when capital works that improve or significantly enhance the value of the assets are carried out. The balance sheet value reduces when assets are sold and are written out of the accounts. Depreciation is charged on assets and this also reduced the balance sheet valuation.

Valuations for HRA assets are:

<b>31 March 2020</b>		<b>31 March 2021</b>
<b>£000</b>		<b>£000</b>
510,105	Dwellings (valued at EUV - SH)	525,150
4,277	Other Operational Land and Buildings (valued at MV - EU)	4,007
40	Vehicles, plant, furniture and equipment	45
50	Infrastructure	43
139	Community Assets (historic cost)	139
6,452	Assets under construction	6,754
<b>521,063</b>	<b>Total HRA Assets</b>	<b>536,138</b>

Other operational land and buildings are valued at open market value in existing use.

## GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

### 5. Stock Valuation – Vacant Possession Value

Valuation of dwelling stock at Vacant Possession Value within the HRA at March 2021 was £1.493 billion (£1.451 billion at March 2020). The vacant possession value and the balance sheet value of dwellings within the HRA show the economic cost to Government of providing council housing at less than open market rent.

### 6. Major Repairs Reserve (MRR)

The MRR is a reserve established by the Government as part of the resources accounting system in the HRA. Movements in the MRR during the year were:

2019-20		2020-21
£000		£000
9,234	<b>Opening Balance at 1 April</b>	9,852
5,641	Depreciation transferred from the HRA	5,686
(5,023)	Capital Expenditure on HRA assets financed from the Major Repairs Reserve	(3,661)
9,852	<b>Closing Balance at 31 March</b>	11,877

### 7. Capital Expenditure and Financing

The table below shows the total amount of capital expenditure incurred in the year together with the resources that have been used to finance it. Where capital expenditure has not been financed in the year, it results in an increase in the Capital Financing Requirement.

2019-20		2020-21
£'000		£'000
197,024	Opening Capital Financing Requirement	197,024
	<u>Capital Investment</u>	
7,173	Council dwellings	9,470
1,633	Assets under construction	3,148
15	Intangible assets	3
67	Revenue Expenditure Funded from Capital under Statute	65
	<u>Sources of finance</u>	
-	Capital Grants and Contributions	(1,599)
(1,492)	Capital Receipts	(2,607)
(5,023)	Major Repairs Reserve	(3,661)
(2,373)	Other reserves	(4,818)
197,024	<b>Closing Capital Financing Requirement</b>	197,025

Total capital receipts from disposals of land, houses and other property within the HRA during the financial year amounted to £1.988 million, before making any payments to Government on sales of houses under Right to Buy.

### 8. Depreciation

The charges for depreciation for the houses and other property within the HRA for the year are as follows:

## GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

2019-20		2020-21
£000		£000
5,543	Dwellings	5,589
96	Other Operational Land and Buildings	88
6	Vehicles, plant, furniture and equipment	7
7	Infrastructure	6
<b>5,652</b>	<b>Total HRA Assets</b>	<b>5,691</b>

The depreciation amount has been calculated by the straight-line method in line with the Council's policies for PP&E (see note 12).

### 9. Contributions to/from the Pensions Reserve

The HRA share of the contributions to the Pensions reserve is as follows:

2019-20		2020-21
£000		£000
708	Reversal of items relating to retirement benefits debited to the HRA	473
102	Employer's pensions contributions and direct payments to pensioners payable in the year	0
<b>810</b>	<b>Contribution to the Pensions Reserve</b>	<b>473</b>

# GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

## Collection Fund

The Collection fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities, and the Government of Council Tax and Business Rates.

2019-20	2019-20		2020-21	2020-21
£000	£000		£000	£000
Council Tax	Business Rates		Council Tax	Business Rates
		<b>INCOME</b>		
	90,517	Income from Business Ratepayers - Note 2		45,241
110,273		Council Taxes	115,396	
		<b>Distribution of prior year estimated deficit:</b>		
	493	Central Government		0
621	99	Surrey County Council	0	685
104		Surrey Police & Crime Commissioner	0	
86	395	Guildford Borough Council	0	0
<b>111,084</b>	<b>91,504</b>	<b>Total Income</b>	<b>115,396</b>	<b>45,926</b>
		<b>EXPENDITURE</b>		
		<b>Precepts</b>		
82,552		Surrey County Council	87,129	
14,799		Surrey Police and Crime Commissioner	15,597	
11,499		Guildford Borough Council	12,069	
		<b>Payment of Business Rates shares:</b>		
	43,677	Central Government		43,392
	8,735	Surrey County Council		8,678
	34,941	Guildford Borough Council		34,713
	(101)	Transitional Protection payments		87
	227	Charge to General Fund for collecting NDR		231
353		Provision for council tax bad debts	3,439	
	857	Provision for business rates bad debts		2,300
	1,491	Provision for business rates appeals		4,055
		<b>Distribution of prior year estimated surplus:</b>		
		Central Government		6,208
		Surrey County Council		
		Surrey Police and Crime Commissioner		
		Guildford Borough Council		4,140
<b>109,203</b>	<b>89,827</b>	<b>Total Expenditure</b>	<b>118,234</b>	<b>103,804</b>
		<b>COLLECTION FUND BALANCE</b>		
(1,178)	(3,740)	Balance at the beginning of the year	703	(2,063)
1,881	1,677	Surplus/(deficit) for the year	(2,838)	(57,878)
<b>703</b>	<b>(2,063)</b>	<b>Balance at the end of the year</b>	<b>(2,135)</b>	<b>(59,941)</b>

## Notes To The Collection Fund

### 1. General

These accounts represent the transactions of the Collection Fund, which is a statutory fund separate from the main accounts of the Council. The accounts are prepared on an accruals basis, and they are consolidated with the other accounts of the Council on an agency basis.

The overall balance on Fund as at 31 March 2021 was a deficit of £62 million, made up of a Council Tax deficit of £2.1 million and a deficit in relation to business rates of £59.9 million.

The year-end Collection Fund surplus in relation to council tax is distributed between billing (the Council) and precepting (Surrey County Council and Surrey Police and Crime

## GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

Commissioner) authorities on the basis of estimates of the year-end balance made on 15 January 2021.

The year-end Collection Fund deficit in relation to business rates is distributed between billing and precepting (central government and Surrey County Council) authorities on the basis of year-end estimates made on 31 January 2021.

### 2. Income from Business Rates

The Council collects business rates for its area. These rates are based on local rateable values (£216,777,227 as at 31 March 2021) multiplied by a uniform rate (51.2p standard and 49.9p small business rate in 2020-21). Local authorities retain a proportion of the total collectable rates due. For Guildford in 2020-21, this share is 40%. The remainder in 2020-21 is retained by Surrey County Council (10%), and the Government 50%.

### 3. Income from Council Tax

The Council's tax base, that is the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of band D dwellings, was calculated as follows:

Band	Estimated number of taxable properties after effect of discounts	Ratio	Band D equivalent dwellings
Dis A	1.5	5/9	0.78
A	675.57	6/9	443.64
B	2,013.01	7/9	1,542.21
C	8,914.17	8/9	7,804.84
D	13,491.55	9/9	13,289.22
E	8,937.93	11/9	10,760.23
F	6,070.65	13/9	8,637.16
G	6,992.51	15/9	11,479.38
H	1,661.76	18/9	3,273.33
	<b>48,758.65</b>		<b>57,230.79</b>
	Plus adjustment for MoD properties and collection rates offset by anticipated changes during the year for successful appeals against valuation banding, new properties, demolitions, disabled person's relief, exempt properties and the Local Council Tax Scheme		414.60
			<b>57,645.39</b>

### 4. Collection Fund Provisions

The movement of the council tax bad debt provision during the year was as follows:

2019-20		2020-21
£'000		£'000
1,551	Balance at 1 April	1,906
356	Transfer (to) / from revenue	3,439
(1)	(Write offs)/write backs	0
<b>1,906</b>	<b>Balance at 31 March</b>	<b>5,345</b>

## GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

The movement on the business rates bad debt provision was as follows:

<b>2019-20</b>		<b>2020-21</b>
<b>£'000</b>		<b>£'000</b>
1,148	Balance at 1 April	2,000
857	Transfer from revenue	2,300
(5)	Write offs	0
<b>2,000</b>	<b>Balance at 31 March</b>	<b>4,300</b>

The movement on the business rates appeals provision was as follows:

<b>2019-20</b>		<b>2020-21</b>
<b>£'000</b>		<b>£'000</b>
8,437	Balance at 1 April	7,329
1,491	Transfer from revenue	8,160
(2,599)	RV list amendments	(4,105)
<b>7,329</b>	<b>Balance at 31 March</b>	<b>11,384</b>

# **Guildford Borough Council Group Accounts**

## **Group Statement of Accounts 2020-21**

## Group Accounts and Explanatory Notes

### Introduction

The CIPFA Code of Practice sets out a requirement for local authorities to prepare group accounts where the authority has interests in subsidiaries, joint ventures or associates, subject to consideration of materiality.

Guildford Borough Holdings Ltd was formed as a subsidiary company in the financial year ending 31st March 2017, as part of Guildford Borough Council strategy to diversify its income sources by commercial acquisition and rental of residential property.

The Council decided to set up a property investment company North Downs Housing Limited (“NDHL”) as the operational entity with Guildford Borough Holdings Limited (“GBCH”) as a holding company for the property company and other potential companies.

Set out below are the details of these subsidiary companies:

Name of the Subsidiary	Place of incorporation	Company Number	Proportion owned by the Council	
			2020-21	2019-20
Guildford Borough Holdings Ltd	England & Wales	10152910	100%	100%
North Downs Housing Ltd	England & Wales	10153122	100%	100%

Although these companies operate on a commercial basis, independent from Council policy, the Council finances the activities of these subsidiaries through equity investments and loans. The board of directors are appointed by the Council, and are subject to regulation and oversight from the Council's Executive Shareholder and Trustee Committee.

Because these companies are owned and controlled by the Council, Group Accounts provide an insight into the combined financial affairs of Guildford Borough Council and the group of companies it owns. While the Group Accounts are not primary statements, they provide transparency and enable comparison with other entities that have different corporate structures by showing the full extent of the Council's wider assets and liabilities.

The Group Accounts include the following:

- Group CIES - summarises the resources that have been generated and consumed in providing services and managing the Group during the year. It includes all day-to-day expenses and related income on an accruals basis.
- Group balance sheet – shows the assets and liabilities of £658.054M
- Group MIRS - shows the movement in the year on the Council's single entity usable and unusable reserves together with the Council's share of the Group reserves.
- Group Cash Flow Statement - shows the changes in cash and cash equivalents of the Group during the year. The statement shows how the Group generates and uses

## GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

cash and cash equivalents by classifying cashflows as operating, financing and investing activities.

During the year group accounts of GBH holdings shows a net loss of £0.160 million (2019-20 £0.378 million) and owned investment property of £18.1 million (£13.1 million in 2019-20). The group accounts are shown in the appendices that follow.

2019-20				2020-21				
Gross Expenditure	Gross Income	Subs	Net Expenditure	Notes	Gross Expenditure	Gross Income	Subs	Net Expenditure
£000	£000	£000	£000		£000	£000	£000	£000
			<b>41,041</b>	<b>Directorate</b>				
26,551	(1,846)	196	24,900	Strategy	22,467	(1,623)		20,844
78,780	(57,479)		21,300	Services	75,242	(50,976)		24,266
3,669	(182)		3,487	Resources	11,650	(200)		11,450
23,603	(32,250)		(8,647)	Housing Revenue Account	16,270	(32,013)	137	(15,606)
0	0		0	COVID expenditure	7,466	(6,359)		1,107
<b>132,603</b>	<b>(91,758)</b>	<b>196</b>	<b>41,041</b>	<b>Cost of Services</b>	<b>133,095</b>	<b>(91,171)</b>	<b>137</b>	<b>42,062</b>
		(306)	5,896	Other operating expenditure			(375)	(12)
		370	3,185	Financing and investment income and expenditure	5		452	(859)
		(88)	(25,992)	Taxation and non-specific grant income	6		89	(24,922)
		<b>172</b>	<b>24,130</b>	<b>(Surplus) / Deficit on Provision of Services</b>			<b>303</b>	<b>16,269</b>
		207	(8,978)	(Surplus) / Deficit on revaluation of Property, Plant and Equipment assets	24		(143)	(13,635)
			(11,489)	Remeasurements of the net defined benefit liability	24			29,493
			0	(Upward) / downward movement on revaluation of financial instruments classified as Fair Value through Profit and Loss (FVPL)	24			0
		<b>207</b>	<b>(20,467)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(143)</b>	<b>15,858</b>
		<b>378</b>	<b>3,663</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>160</b>	<b>32,127</b>

# GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

## GROUP BALANCE SHEET

31 March 2020		31 March 2021
£000		£000
780,797	Property, Plant & Equipment	789,264
3,575	Heritage Assets	3,762
166,570	Investment Property	177,209
2,299	Intangible Assets	2,857
42,170	Long-term Investments	24,895
8,717	Long-term Debtors	534
<b>1,004,128</b>	<b>Long Term Assets</b>	<b>998,521</b>
44,883	Short-term Investments	93,253
431	Assets held for sale	0
439	Inventories	381
13,023	Short Term Debtors	52,416
14,698	Cash and Cash Equivalents	41,296
<b>73,474</b>	<b>Current Assets</b>	<b>187,346</b>
(44,492)	Short Term Borrowing	(163,772)
(33,175)	Short Term Creditors	(67,389)
(3,758)	Provisions	(5,959)
<b>(81,425)</b>	<b>Current Liabilities</b>	<b>(237,120)</b>
(192,435)	Long Term Borrowing	(147,435)
(113,567)	Other Long Term Liabilities	(143,258)
<b>(306,002)</b>	<b>Long Term Liabilities</b>	<b>(290,693)</b>
<b>690,176</b>	<b>Net Assets</b>	<b>658,054</b>
165,281	Usable Reserves	178,907
524,895	Unusable Reserves	479,146
<b>690,176</b>	<b>Total Reserves</b>	<b>658,054</b>

# GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

## GROUP CASHFLOW STATEMENT

<b>2019-20</b>		<b>2020-21</b>
<b>£000</b>		<b>£000</b>
	<b>OPERATING ACTIVITIES</b>	
(23,826)	Net surplus on the provision of services	(16,269)
63,244	Adjustments for non-cash movements (Note 22)	(775)
(21,736)	Adjustments for items included in the net surplus that are investing and financing activities (Note 22)	(12,800)
<b>17,683</b>	<b>Net cash flows from Operating Activities</b>	<b>(29,844)</b>
	<b>INVESTING ACTIVITIES</b>	
(29,446)	Payments for additions to long term assets	(28,262)
(85,436)	Payments for purchase of investments	(109,401)
(3,566)	Other payments for investing activities	(1,973)
15,753	Proceeds from the disposal of long term assets	4,559
60,127	Proceeds from disposal of investments	85,164
7,667	Other receipts from investing activities	10,038
<b>(34,902)</b>	<b>Net cash flows from Investing Activities</b>	<b>(39,875)</b>
	<b>FINANCING ACTIVITIES</b>	
72,000	Cash receipts of short and long-term borrowing	195,931
0	Other receipts from financing activities	0
(5,047)	Other payments from financing activities	17,132
(48,236)	Repayments of short and long-term borrowing	(116,746)
<b>18,717</b>	<b>Net cash flows from financing activities</b>	<b>96,317</b>
<b>1,498</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>26,598</b>
13,201	Cash and cash equivalents at the beginning of the reporting period	14,698
<b>14,699</b>	<b>Cash and cash equivalents at the end of the reporting period (Note 19)</b>	<b>41,296</b>

# GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020-21

## GROUP MOVEMENT IN RESERVES STATEMENT

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Contributions Unapplied £000	Subsidiary Reserves	Total Useable Reserves £000	Unusable Reserves £000	Total Reserves £000
<b>2020-21</b>									
<b>Balance at 31 March 2019</b>	<b>47,741</b>	<b>94,345</b>	<b>13,931</b>	<b>9,853</b>	<b>559</b>	<b>(1,148)</b>	<b>165,281</b>	<b>524,894</b>	<b>690,174</b>
<b>Movement in Reserves during 2020-21</b>									
Total Comprehensive Income and Expenditure	(28,240)	12,275	0	0	0	(160)	(16,125)	(16,001)	(32,126)
Adjustments between accounting basis & funding basis under regulations (Note 23)	37,864	(6,113)	(5,030)	2,025	176		28,922	(28,922)	0
<b>Increase/(decrease) in 2020-21</b>	<b>9,624</b>	<b>6,162</b>	<b>(5,030)</b>	<b>2,025</b>	<b>176</b>	<b>(160)</b>	<b>12,797</b>	<b>(44,923)</b>	<b>(32,126)</b>
<b>Balance at 31 March 2021 carried forward</b>	<b>57,365</b>	<b>100,507</b>	<b>8,901</b>	<b>11,878</b>	<b>735</b>	<b>(1,308)</b>	<b>178,078</b>	<b>479,971</b>	<b>658,049</b>
<b>Balance at 31 March 2019</b>	<b>48,113</b>	<b>86,418</b>	<b>20,519</b>	<b>9,235</b>	<b>690</b>	<b>(772)</b>	<b>164,202</b>	<b>529,635</b>	<b>693,837</b>
<b>Movement in Reserves during 2019-20</b>									
Total Comprehensive Income and Expenditure	(27,380)	3,872	0	0	0	(376)	(23,885)	20,673	(3,212)
Adjustments between accounting basis & funding basis under regulations (Note 23)	27,459	4,055	(6,588)	618	(130)		25,414	(25,414)	0
<b>Increase/(decrease) in 2019-20</b>	<b>79</b>	<b>7,927</b>	<b>(6,588)</b>	<b>618</b>	<b>(130)</b>	<b>(376)</b>	<b>1,529</b>	<b>(4,741)</b>	<b>(3,212)</b>
<b>Balance at 31 March 2020 carried forward</b>	<b>48,192</b>	<b>94,345</b>	<b>13,931</b>	<b>9,853</b>	<b>559</b>	<b>(1,148)</b>	<b>165,732</b>	<b>524,894</b>	<b>690,626</b>

## Annual Governance Statement 2020-21

### 1. SCOPE OF RESPONSIBILITY

- 1.1. Guildford Borough Council is responsible for ensuring that it conducts its business in accordance with the law and proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency, and effectiveness.
- 1.2. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs to facilitate the effective exercise of its functions, including arrangements for the management of risk.
- 1.3. The Council has considered the principles of the CIPFA/SOLACE framework *Delivering Good Governance in Local Government (2016)*, including compliance with the CIPFA publication on *The Role of the Chief Financial Officer in Local Government (2016)* in the preparation of this statement.
- 1.4. This statement explains how the Council has complied with the code and meets the requirements of regulation 4 of the Accounts and Audit Regulations 2015 in relation to internal control.

### 2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

- 2.1 The governance framework comprises the systems, processes, culture, and values by which the authority is directed and controlled and the activities through which it accounts to, engages with, and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and impact should those risks be realised and to manage those risks efficiently, effectively and economically.
- 2.3 The governance framework has been in place for the year ended 31 March 2021 and up to the date of approval of the statement of accounts.

### 3. GOVERNANCE FRAMEWORK

- 3.1 The Council is a complex organisation with an appropriately comprehensive governance framework that works in a dynamic environment and keeps its processes under constant review. A description of how the Council puts the principles of good governance, set out in the CIPFA/SOLACE framework into practice is set out in the following table along with recent achievements, developments, and areas for improvement.

## GUILDFORD BOROUGH COUNCIL DRAFT STATEMENT OF ACCOUNTS 2020-21

### Principles of Good Governance

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

### Arrangements the Council has for delivering good governance

- Council's Constitution, includes:
  - Council procedure rules for conduct at meetings
  - financial and procurement procedure rules
  - codes of conduct for Officers (reviewed in 2019) and Councillors
  - protocol on decision making by lead councillors
  - Protocol on Councillor/Officer Relations
  - arrangements for dealing with allegations of misconduct by councillors
- Probity in planning local code of practice (reviewed in 2019)
- Induction for new councillors and staff on standards of behaviour expected
- Staff performance framework includes behavioural framework & behaviour profiles are included within job descriptions
- Regular staff performance review in place
- Declarations of interest made and recorded at meetings
- Register of councillors' interests maintained
- Register of gifts and hospitality maintained for Councillors and staff
- Anti-Fraud and Corruption Strategy
- Anti-Bribery Policy
- Whistle blowing policy

### Recent achievements, developments and areas for improvement

*The Corporate Governance Task Group has reviewed and made recommendations to relevant decision-making bodies on the following matters:*

- (a) *the Councillors' Code of Conduct, including the policy on acceptance of gifts and hospitality (Council on 6 October 2020 and 19 May 2021)*
- (b) *the 15 best practice recommendations of the Committee on Standards in Public Life (CGSC<sup>1</sup> on 30 July 2020/Executive on 22 September 2020/ Council on 6 October 2020)*
- (c) *guidance on the use of social media by councillors (Executive on 22 September 2020)*
- (d) *the Protocol on Councillor/Officer Relations (Council on 6 October 2020)*
- (e) *the draft Council Size Submission to the Local Government Boundary Commission for England*

## GUILDFORD BOROUGH COUNCIL DRAFT STATEMENT OF ACCOUNTS 2020-21

### Principles of Good Governance

### Arrangements the Council has for delivering good governance

- Officer corporate governance group to monitor compliance with laws and council policies
- Officer health and safety group in place to monitor health and safety compliance
- Complaints policy in place
- Customer services manager monitors and reports on complaints performance to corporate management team and CGSC as part of the Corporate Performance Monitoring report
- Corporate Governance and Standards Committee (CGSC) in place whose remit is set out within the Constitution
- Overview and Scrutiny Committee (OSC) review of decision making
- Procurement strategy, policy and toolkit in place (updated in 2018)
- An officer Corporate Procurement Board (CPB) monitors compliance with the procurement strategy and policy
- All committee reports to Executive and Council require review of legal and financial implications to be completed and signed off by Monitoring Officer (MO) and Chief Finance Officer (CFO)
- Executive advisory boards in place to advise Executive on matters of strategic importance to the Council
- Monitoring Officer provisions in place

### Recent achievements, developments and areas for improvement

*(Council on 17 December 2020)*

*(f) approved draft Email Signature Guidance for councillors referred to the Corporate Governance and Standards Committee for approval.*

The Task Group is currently working on, or has yet to review the following areas:

- the effectiveness of internal communications between officers and councillors
- proposals to promote transparency, and effective communications and reporting, including the Council's Communications Protocol.
- review of anomalies in the Constitution

## GUILDFORD BOROUGH COUNCIL DRAFT STATEMENT OF ACCOUNTS 2020-21

**Principles of Good Governance**    **Arrangements the Council has for delivering good governance**

**Recent achievements, developments and areas for improvement**

*Corporate Procurement Board has met fortnightly throughout 2020-21 to improve governance arrangements around procurement, particularly where exemptions have been applied. A new procurement strategy was agreed by the Executive in June 2020 and revised and updated Procurement Procedure Rules were adopted by the Council in May 2021.*

## GUILDFORD BOROUGH COUNCIL DRAFT STATEMENT OF ACCOUNTS 2020-21

### B. Ensuring openness and comprehensive stakeholder engagement

- The Council's vision and priorities are set out in the corporate plan
- Consultation policy and community engagement strategy in place which adheres to consultation standards
- Freedom of Information Act performance monitored by corporate management team and CGSC. Log of FOI responses is published on the website
- Online council tax information published
- Transparency information published on website
- Records of decision making maintained and published on website
- Forward programme of committee meeting dates and agenda items published on-line with reporting dates adhered to
- Citizens' panel in place and regularly consulted with

*In 2020 we undertook a public consultation on the Council's priorities for services and spending as part of the budget process. This was used to inform the savings strategy. The corporate plan is currently being updated.*

## GUILDFORD BOROUGH COUNCIL DRAFT STATEMENT OF ACCOUNTS 2020-21

### Principles of Good Governance

#### Arrangements the Council has for delivering good governance

#### Recent *achievements, developments and areas for improvement*

- Active programme of focus groups and surveys undertaken for specific service initiatives
- Active use of social media and on-line tools to engage customers
- Regular council newsletter About Guildford issued electronically on a quarterly basis
- Consultation responses published on the Council's website (e.g. Local Plan)
- Recognition of the importance of and active engagement in key strategic partnerships such as Guildford Surrey Board, Health and Wellbeing Board, Local Enterprise Partnership (EM3) and service specific partnerships

#### C. Defining outcomes in terms of sustainable economic, social, and environmental benefits

- Corporate Plan 2018-2023 which sets out the Council's vision, key themes and priorities
- Performance Monitoring Reports against corporate plan priorities reported to Corporate Management Team and CGSC
- New Programme and project management system in place, and undergoing development
- Community engagement strategy
- Corporate risk register in place
- Financial risk register in place and used to inform the financial sustainability of the budget and adequacy of the level of reserves
- Monitoring of key performance indicators undertaken by corporate management team

Internal Audit of Risk management in 2020-21 found partial assurance and action plan for improvement is in place. The risk management framework, strategy and policy need significant update.

## GUILDFORD BOROUGH COUNCIL DRAFT STATEMENT OF ACCOUNTS 2020-21

### Principles of Good Governance

### Arrangements the Council has for delivering good governance

- Committee report template now includes Climate Change/Sustainability Implications
- Business planning process and capital programme development aligned to the corporate plan through the new service planning and project and programme governance framework, bids for funding scored against achievement of corporate plan priorities
- Future Guildford Transformation Programme in place, overseen by the Future Guildford Board and regularly reported to Overview and Scrutiny Committee

### Recent *achievements, developments and areas for improvement*

Internal Audit of performance monitoring also provided with partial assurance. The new framework introduced in 2020-21 needs to be embedded.

*Future Guildford Phase B finally completed and transition to the new structure took place within 2020-21.*

## GUILDFORD BOROUGH COUNCIL DRAFT STATEMENT OF ACCOUNTS 2020-21

- D. Determining the interventions necessary to optimise the achievement of the intended outcomes
- Medium term financial strategy and plan in place, reviewed annually and published as part of the Council's budget book
  - Business planning process in place to align financial resources with corporate plan priorities
  - New mandate and business case process introduced for new projects and policies
  - Business planning guidance for managers in place and reviewed annually
  - Scrutiny of the budget and business planning bids by Joint Executive Advisory Board and Councillor task group
  - Forward Plan maintained on a rolling 12 month basis
  - Regular corporate management team and Executive liaison meetings held to discuss strategy
  - Directors and senior officers hold regular 1:1 meetings with Lead Councillors

## GUILDFORD BOROUGH COUNCIL DRAFT STATEMENT OF ACCOUNTS 2020-21

### Principles of Good Governance

### Arrangements the Council has for delivering good governance

- Corporate management team hold regular directorate level feedback sessions
- Service Leaders' group in place
- Transformation Board in place which monitors the transformation programme
- Major Projects Board in place to monitor the delivery of major projects
- Property Review Group in place to review all assets on a rolling programme and optimise property asset utilisation and performance
- Capital Programme Monitoring Group in place to monitor progress of capital projects, which are not major projects
- Consequences of COVID Pandemic and the Council's response reported to Executive and Council in May 2020 and then monitored by Overview and Scrutiny Committee throughout the year.

### Recent achievements, developments and areas for improvement

*Due to the COVID pandemic the Major Projects Portfolio Board did not meet in 2020-21*

## GUILDFORD BOROUGH COUNCIL DRAFT STATEMENT OF ACCOUNTS 2020-21

E. Developing capacity, including the capability of leadership and the individuals within it

- Organisational development framework includes continuous performance and development reviews of staff through one to one meetings and clear job role profiles with behavioural profiles.
- The constitution sets out the role of statutory officers and the role of the Leader
- The Council is compliant with CIPFA guidance on the Role of the Chief Finance Officer (CFO)
- Head of Paid Service (HoPS), CFO, and MO are part of the corporate management team and always attend Executive-Management Team Liaison Group and full Executive meetings

## GUILDFORD BOROUGH COUNCIL DRAFT STATEMENT OF ACCOUNTS 2020-21

### Principles of Good Governance

### Arrangements the Council has for delivering good governance

- Professionally trained staff in relevant fields in place and continuing professional development encouraged as part of performance and development framework
- Regular staff development training programme in place
- Active support for staff to obtain external qualifications
- Scheme of delegation and financial procedure rules in place
- Councillor development steering group in place which develops and implements an active programme of Councillor training
- Achievement of the South East Charter accreditation for Elected Member Development (January 2020)
- Recognition of the importance of and active engagement in key strategic partnerships such as Guildford Surrey Board, Health and Wellbeing Board Local Enterprise Partnership (EM3) and service specific partnerships
- Work with partners through the Local Resilience Forum

### Recent achievements, developments and areas for improvement

Financial Procedure Rules need to be reviewed in 2021-22

*Engagement with Key strategic partnership boards temporarily suspended during 2020-21 and the COVID pandemic. However, the Council has worked with partners through the multi-agency Local Resilience Forum and its Strategic Co-ordinating Group as required through the Surrey Emergency Plan*

## GUILDFORD BOROUGH COUNCIL DRAFT STATEMENT OF ACCOUNTS 2020-21

### F. Managing Risks and performance through robust internal control and strong public financial management

- Internal audit work programme informed by risks
- Internal audit is outsourced, fully resourced and effective
- Compliance the CIPFA code on managing the risk of fraud and corruption
- Role of the overview and scrutiny committee is clearly set out in the constitution and its work programme is developed by the chairman, vice-chairman, and officers and agreed by the committee. Agendas and minutes are published online.
- Regular MO and CFO meetings in place to address statutory responsibilities

Risk management framework needs significant update as found by internal audit. Risk management at service and project level needs review and embedding and corporate risk register needs to be updated and regularly reported to CMT/CGSC.

## GUILDFORD BOROUGH COUNCIL DRAFT STATEMENT OF ACCOUNTS 2020-21

### Principles of Good Governance

### Arrangements the Council has for delivering good governance

### Recent *achievements, developments* and areas for improvement

- Officer corporate governance group oversees key governance, data protection and risk management information and receives reports from the health and safety group
- Role of the Corporate Governance and Standards Committee (CGSC) is clearly set out in the constitution and has an active work programme informed by the officer corporate governance group and agreed by the committee. Agendas and minutes are published online.
- A summary of internal and external audit reports is reported to CGSC on a regular basis along with annual Head of Internal audit opinion
- Progress against audit plan and individual audit recommendations are monitored and reported to CGSC
- Council has comprehensive data protection policies and a designated data protection officer who monitors compliance with legislation
- Information security risk group, led by the Senior Information Risk Owner in place which reviews the Council's information governance procedures and any necessary improvements
- CGSC receives regular financial monitoring reports
- All projects require a risk register and project board

## GUILDFORD BOROUGH COUNCIL DRAFT STATEMENT OF ACCOUNTS 2020-21

G. Implementing good practices in transparency, reporting and audit to deliver effective accountability

- The Council publishes significant information on its website
- 'Style guide' in place to encourage officers to write reports in plain English
- Annual financial statements include a narrative summary on the Council's performance during the year as well as reporting the financial position

*The Council does not currently produce a formal annual report; however, the CFO's Narrative Statement in the Council's Statement of Accounts reports the majority of information that an annual report would be expected to cover.*

## GUILDFORD BOROUGH COUNCIL DRAFT STATEMENT OF ACCOUNTS 2020-21

### Principles of Good Governance

### Arrangements the Council has for delivering good governance

- Effective internal audit function in place which complies with public sector audit standards and the CIPFA statement on the Role of the Head of Internal Audit
- Community engagement strategy in place
- Council has reaffirmed, and adopted as best practice, the position that all committee reports are made public unless there are unequivocal legal or commercial reasons to the contrary and that where practicable, information within a report which is legally exempt from publication should be isolated from the body of the report as a restricted appendix, with the remainder of the report made available to the public.
- All restricted committee reports now clearly and precisely state at the point the agenda is published all of the following:
  - (a) why the content is to be treated as exempt from the access to information publication rules.
  - (b) to whom within the Council the content is restricted
  - (c) when, following a period of exemption, the exempt information can be expected to be made public.
  - (d) details of how the decision to maintain the exemption may be challenged.
- Working group reports and minutes made available to all councillors.

### Recent achievements, developments and areas for improvement

*The Council is compliant with the mandatory elements of the Local Government Transparency Code 2015 in respect of the publication of data.*

The Corporate Governance Task Group, referred to above, will also be examining proposals to promote transparency and effective communications

# GUILDFORD BOROUGH COUNCIL DRAFT STATEMENT OF ACCOUNTS 2020-21

## 4. REVIEW OF EFFECTIVENESS

- 4.1. The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and by comments made by the external auditors and other review agencies and inspectorates.
- 4.2. The Head of Internal Audit (HoIA) is required to provide an annual opinion in accordance with Public Sector Internal Audit Standards (PSIAS), based upon and limited to the work performed on the overall adequacy and effectiveness of the Council's risk management, control and governance processes (i.e. the system of internal control). This is achieved through a risk-based programme of work, agreed with Management and approved by the Corporate Governance and Standards Committee, which can provide assurance, subject to the inherent limitations.
- 4.3. The purpose of the HoIA Opinion is to contribute to the assurances available to the Accountable Officer<sup>2</sup> and the Council which underpin the Council's own assessment of the effectiveness of the system of internal control. The opinion does not imply that the HoIA has covered all risks and assurances relating to the Council. The opinion is derived from the conduct of risk-based plans generated from a robust and Management-led Assurance Framework. As such it is one component that the Council takes into account in writing this Annual Governance Statement.
- 4.4. The HoIA Opinion for 2020-21 is one of: 'Partial assurance with improvements required'. Whilst internal audit has noted robust aspects of the Council's system of internal control, for example the 'significant assurance with minor improvement opportunities' achieved in 2020-21 in respect of the payroll control environment, there are multiple areas that received 'partial assurance with improvements required' and will require prioritised attention in 2021-22, for example, implementing and embedding the new risk management framework and the performance monitoring framework.

## 5. INTERNAL AUDIT STATEMENT

- 5.1 The HoIA Opinion was presented to the Council's Corporate Governance and Standards Committee on 25 March 2021 (see HoIA Opinion 3). In 2020-21, there were 11 planned pieces of work. Over the year, 9 reviews were completed, and two reviews were deferred to the 2021-22 audit plan. The results of the work carried out in the year to 31 March 2021 are shown in the table below:

Assurance Rating	Number of Audits	
Significant Assurance	0	0%
Significant Assurance with minor improvement opportunities	1	11%
Partial assurance with improvements required	7	78%
No Assurance	0	0%
No Opinion (one-off projects) Value for Money	1	11%
In progress (Inc. fundamental service reviews)	0	0%

<sup>2</sup> The Chief Finance Officer <sup>3</sup> The Opinion forms part of Appendix 1 of Agenda Item 7

## GUILDFORD BOROUGH COUNCIL DRAFT STATEMENT OF ACCOUNTS 2020-21

5.2 Internal audit reports provide management recommendations designed to address weaknesses in the system of internal control. The outcomes of these audits are reported on a summary basis to the CGSC every quarter giving councillors an opportunity to understand the Council's compliance with key controls and to discuss any areas of concern with the auditors. We also update councillors on the progress with implementation of recommendations. In 2020-21, Internal Audit raised 6 high priority recommendations as follows:

- 2 high priority recommendations relate to our local risk management review: these related to the introduction of a consistent council-wide local risk management framework and the implementation and roll-out of the newly designed risk management processes and procedures that were in progress at the time of the audit review
- 2 high priority recommendations relate to performance monitoring KPIs. These related to the implementation of the newly designed internal performance reporting framework and the staff sickness absence KPI.
- 2 high priority recommendations relate to the Income and Accounts Receivable and Expenditure and Accounts Payable reviews. These relate to the availability of evidence to support that controls have operated in line with design. Due to the implementation of Business World and the compounding difficulties that have arisen due to the Covid-19 pandemic. There has been difficulty accessing the required documentation to facilitate completion of the compliance testing and the reviews were therefore limited to reviewing the design of controls. These review areas will be revisited in the 2021-22 audit plan to complete compliance testing in these areas.

5.3 During 2020-21 the Council faced unprecedented challenges from COVID, with significant and varied operational pressures. In addition, the Future Guildford programme of transformation and re-organisation remains ongoing and, as part of this, the Council has further system implementations. Against this challenging backdrop of the pandemic alongside organisational transformation, during 2020-21 the Council received seven 'partial assurance with improvements required' reports, including in the areas of core financial control, risk management and data quality.

### 6. SIGNIFICANT GOVERNANCE ISSUES AND ACTION PLAN

6.1. This year has been unprecedented; the Council has undertaken a period of transformational change whilst at the same time responding to the COVID 19 pandemic and continues to face on-going financial pressures. As a result of this challenging environment, it is recognised that there has been a reduction in the good governance arrangements the Council normally prides itself upon. Where we have identified areas for further improvement, we will take the necessary action to implement changes that will further develop our governance framework.

#### **Progress on Governance Issues reported in the 2019-20 Annual Governance Statement:**

6.2. The significant governance issues arising in 2019-20 and progress made against them are shown in table below:

## GUILDFORD BOROUGH COUNCIL DRAFT STATEMENT OF ACCOUNTS 2020-21

Area	Actions Agreed	Progress Made
Openness and Transparency	<p>To implement the Council motion from October 2019</p> <p>Set up a task group to implement concerns raised.</p>	<p>Task group has met a number of times and reported its findings. A summary of progress is set out in the table in paragraph 3.1 above</p>
Governance support for GBC Holdings Ltd and North Downs Housing Ltd	<p>Concerns over Finance and Legal involvement in the governance and financial arrangements of the two companies established by the Council. However, the external auditor had acknowledged that the core business processes operated satisfactorily. The Business Plan is currently out of date and is in the process of being reviewed and updated.</p>	<p>KPMG carried out an audit of the companies which was completed in 2020-21 and reported to the CGSC on 14 January 2021. The audit gave partial assurance with improvements required and an action to address identified improvements. There was one high priority improvement relating to terms of reference for the company boards and the Council's governance around performance reporting. The recommendations will be subject to Audit follow up review in 2021-22.</p>
Project Management	<p>The Major Projects Portfolio Board was working well and was raising corporate awareness of project management and providing a new overview of the process. However, not all projects had boards and were not operating as well as they could. There were concerns that several projects with considerable contingency funds were overspending and that information and cost reports were not being fed back to Finance. We need to ensure that there are consistent processes and measurable outcomes.</p>	<p>The Strategy and Communications team have recently implemented revised Programme and Project Governance Framework and are collating all projects across the Council for monitoring purposes.</p>

## GUILDFORD BOROUGH COUNCIL DRAFT STATEMENT OF ACCOUNTS 2020-21

Area	Actions Agreed	Progress Made
Procurement	We are a complex authority and we recognise that the procurement processes need to be as efficient as possible. We control certain areas of spend very tightly but we need to achieve economies of scale by rationalising contracts and understanding more fully our category spend.	A new procurement strategy has been approved by Executive along with an updated set of procurement procedure rules during 2020-21. This includes a gateway approval process for high value contracts. The Corporate Procurement Board is overseeing procurement compliance across the Council.
ICT Asset Management	Following reports of a discrepancy in some of the Council's ICT equipment we carried out an audit review which found that there were inconsistent asset management controls which resulted in a loss of some equipment and, if not rectified, would have put the Council's assets at risk. However, the financial controls that were in place operated as intended and highlighted the issue.	Asset management of portable ICT equipment is carried out through the NetHelpDesk system in the Resources case team.

- 6.3 In addition, there were a number of follow-up reviews from 2019-20, which were revisited in 2020-21. The follow up audit revealed that of the recommendations made in the previous year, 9 had been fully implemented, 6 recommendations were partially implemented and 9 were not yet implemented. These will be subject to further follow up review during 2021-22.

### **New Governance Issues arising in 2020-21:**

#### Impact of COVID-19 pandemic

- 6.4 Although the lockdown due to the coronavirus outbreak started in the last week of the 2019-20 financial year, the subsequent impact on the Council's services and governance arrangements has been considerable, occurring as it did at a time of organisational transformation, and ongoing financial uncertainties regarding the future funding of services and major projects. The impact has continued through 2020-21 as various easing and then tightening of restrictions have been made by government. It is anticipated that some impact will continue into 2021-22 and possibly the medium-term.
- 6.5 The Council has adhered, and responded at pace, to government guidance in response to the pandemic. Priorities were necessarily changed to focus on the need to support our most vulnerable residents, local businesses, and essential services. More recently the Council has been supporting the vaccination programme. Business as usual changed substantially to accommodate new expectations and services introduced by government and to work with our partners in the Local Resilience Forum, but key processes and functions have been maintained. The impact of the

## GUILDFORD BOROUGH COUNCIL DRAFT STATEMENT OF ACCOUNTS 2020-21

pandemic will inform the review of our key priorities in the Council's Corporate Plan, which commenced in 2019, and our medium-term financial plan.

- 6.6 The Council's response to the pandemic was discussed, at length, at various meetings of the Overview and Scrutiny Committee during the year, at which the Managing Director outlined the ongoing impact of the crisis on local residents and businesses, and the help and support provided by the Council. The Committee was reminded of timelines and governance relating to COVID-19 and advised of the Council services that had been maintained and suspended in the crisis. In addition, the Managing Director informed the Committee of the new and extended services delivered by the Council during the emergency. The financial impact of the pandemic on the Council has been monitored through both the Overview and Scrutiny Committee and the Corporate Governance and Standards Committee. A new COVID monitoring report to monitor economic indicators associated with the response and recovery was introduced and regularly reported to Councillors via email.
- 6.7 The government introduced changes to the Accounts and Audit Regulations 2015 as a consequence of the pandemic to extend the statutory audit deadline for 2020-21 and 2021-22 for all local authorities. The publication date for audited accounts will move from 31 July to 30 September 2021 for all local authority bodies.
- 6.8 The government also made regulations under the Coronavirus Act 2020 to allow councils to conduct meetings and take decisions in ways other than face to face so that decisions can still be made to maintain good governance, and principles of openness and accountability. The Council initially adapted its approach by assessing which decisions could be delayed and re-scheduled and which decisions needed to be made to deal with the pandemic. Remote meetings were then instigated in April 2020 to ensure that transparency and good governance prevailed and also to allow access to the public and press. Remote meetings have continued to May 2021.
- 6.9 Demands on IT systems and staff will be considerable as most office-based staff continued to work remotely for significant periods of time. Procedures are in place to deal with a phased and safe return to work as lockdown restrictions are eased but to also transition the Council to a more agile working policy for the longer term.
- 6.10 The continued financial uncertainty regarding government funding of local government beyond 2020-21 has, to a large extent, been over-ridden by the financial challenges associated with funding the effects of the COVID-19 pandemic, which creates a significant challenge in terms of budget setting and medium-term financial planning.
- 6.11 An ongoing assessment of the impact of the COVID-19 pandemic on the Council's services and systems will be needed to ensure good governance.

### Compliance with CIPFA Financial Management (FM) Code

- 6.12 2020-21 is a 'shadow year' for the implementation of the CIPFA FM Code. As such, an assessment of the extent to which the authority complies with the Code has been undertaken by the Director of Resources. The authority is confident that it is generally compliant with the Code but has identified some key areas where improvements could be made as follows:
- (a) Further financial training and guidance for budget managers and staff across

## GUILDFORD BOROUGH COUNCIL DRAFT STATEMENT OF ACCOUNTS 2020-21

the authority is required

- (b) A review of the performance of the Corporate Governance and Standards Committee against the CIPFA Audit Committee Guidance would be beneficial
- (c) The Council could benefit from a formal external financial resilience assessment
- (d) Financial benchmarking reports should be reported to Councillors on an annual basis
- (e) The Council should establish a long-term 10 to 20-year financial plan and vision, which should include scenario planning
- (f) The Council's asset management framework, policy and guidance should be updated along with introducing a formal asset management plan.

### Risk Management

- 6.13 During 2020-21, an internal audit review of risk management found partial assurance with improvements required. The audit recommended introduction of a consistent council-wide risk management framework. It found that there are no central processes or specific guidance mandating how risk should be managed at a local or project level. As a result, the auditors recommended updating the existing 'Risk management strategy and framework' on a more regular basis and communicating this to relevant staff so that there is a clear, consistent approach to risk management. The audit also recommended that a revised risk management framework be implemented; formally devising a plan that unifies the risk management documents, processes and required actions at a corporate and local risk level.

### Performance Management and Monitoring

- 6.14 During 2020-21, an internal audit review of performance management found partial assurance with improvements required. The audit recommended implementation of the internal performance reporting framework through development of the new performance reporting framework – ensuring that there is a clear schedule of KPIs to be reported, including definitions of KPIs, roles and responsibilities for preparation and frequency of reporting. The audit also found a need to improve the collection and quality of data and systems used to calculate some performance indicators.

### Core Financial Systems

- 6.15 During 2020-21, an internal audit review of core financial systems found partial assurance with improvements required. The audit raised two high priority recommendations related to the availability of evidence to support controls operating. Implementation of Business World coupled with COVID has impacted the availability of the required documentation. Financial records with relevant supporting evidence must be available to demonstrate that the Council has maintained a robust control environment at all times.
- 6.16 During 2020-21, the Council has carried out regular payroll reconciliations to ensure that net pay totals are correct and have been reconciled to the payment run summary sheets. However, regular reconciliations of payroll deductions posted into the General Ledger via the payroll control account were not undertaken. BusinessWorld is an integrated Enterprise Resource

## **GUILDFORD BOROUGH COUNCIL DRAFT STATEMENT OF ACCOUNTS 2020-21**

Planning system and entries into the general ledger via the payroll control account are automatic, so there had been an assumption that reconciliation may not be necessary. Issues recently identified in relation to payroll costing into the general ledger has identified a need to still complete a reconciliation between the general ledger and the Payroll Control Account.

### **7. ASSURANCE SUMMARY**

- 7.1 Good governance is about running things properly. It is the means by which the Council shows it is taking decisions for the good of the people of our area in an equitable and open way. It recognises the standards of behaviour that support good decision-making: collective and individual integrity, openness and honesty. It is the foundation for the delivery of good quality services and fundamental to showing that public money is well spent.
- 7.2 During 2020-21, the Council faced unprecedented challenges from COVID, with significant and varied operational pressures. In addition, the Future Guildford programme of transformation and re-organisation remains ongoing and as part of this the Council has further system implementations. Against this challenging backdrop of the pandemic alongside organisational transformation, during 2020-21 the Council received seven 'partial assurance with improvements required' reports, including in the areas of core financial control, risk management and data quality.
- 7.3 We confirm, to the best of our knowledge and belief, that this Statement provides an accurate and fair view.

Julia McShane

Leader of the Council on behalf of Guildford Borough Council

Tom Horwood

Joint Chief Executive on behalf of Guildford Borough Council

# GUILDFORD BOROUGH COUNCIL DRAFT STATEMENT OF ACCOUNTS 2020-21

## Glossary

**Accrual** – the recording of income and expenditure when it becomes due rather than when the cash is paid or received.

**Accruals basis** – accounting for income or expenditure when it becomes due rather than when the cash is paid out or received.

**Appropriations** – amounts transferred to or from revenue or capital reserves.

**Balance Sheet** – a statement which shows the value of the Council's assets and liabilities on a specific day. The final accounts show the value of the assets and liabilities as at 31 March.

**Business Rates Retention Scheme** – introduced by the Government in April 2013, the scheme means that each council retains some of the business rates generated in its area. The Government still controls the rateable value of the properties and the rate in the pound to be paid.

**Capital commitment** – a commitment to make a capital payment under a contract.

**Capital expenditure** – expenditure to purchase or construct a fixed asset, or expenditure adding to the value of an existing fixed asset. Expenditure that does not enhance an asset, such as repairs and maintenance expenditure, is not capital expenditure.

**Capital Financing Requirement (CFR)** - the monies required to finance capital expenditure.

**Capital Receipt** – relates to the money from the sale of a fixed asset. Capital receipts can only be used to pay for new capital expenditure or to repay outstanding loans. Capital receipts cannot be used to finance revenue expenditure.

**Cash Equivalents** – these are short term, highly liquid investments that are readily convertible into cash. They are subject to an insignificant risk of a change in value.

**Cash Flow Statement** – this shows the movement in cash and cash equivalents in the year.

**Chartered Institute of Public Finance and Accountancy (CIPFA)** – this is the professional organisation for accountants working in the public sector.

**Code (The)** – the Code of Practice on Local Authority Accounting in the United Kingdom. This is the code produced by CIPFA/LASAAC that sets out how councils should show transactions in their accounts and the format of the accounts.

**Collection Fund Revenue Account** – this shows the transactions relating to national non-domestic rates (NNDR) and council tax. This fund shows on whose behalf Guildford Borough Council collects the amounts due and how these monies are distributed.

**Comprehensive Income and Expenditure Statement** – this shows all the income and expenditure in the year.

**Contingency** – an amount of money set aside for unforeseen items of expenditure.

## GUILDFORD BOROUGH COUNCIL DRAFT STATEMENT OF ACCOUNTS 2020-21

**Depreciation** – a reduction in the balance sheet value of a fixed asset due to either wearing out, consumption, or other reduction in its useful economic life, whether arising from use, passage of time or obsolescence, through technological or other changes.

**Earmarked Reserve** – money set aside for future use on a specific area of expenditure.

**Financial Asset** – a right to future economic benefits controlled by the Council.

**Financial Liability** – an obligation to transfer economic benefits controlled by the Council.

**Financial Instrument** – a contract that gives rise to a financial asset of one entity and a financial liability or equity investment of another entity.

**Financial Year** – the year that the accounts relate to. The financial year starts on 1 April and ends on 31 March the following year.

**General Fund (GF)** – the Council's main revenue fund credited with charges, grants etc. and to which the costs of services are charged. However, separate accounts are maintained for other aspects of council activities, particularly the Collection Fund.

**Heritage Assets** – assets which are held and maintained principally for their contribution to knowledge and culture. These include monuments such as Guildford Castle, civic regalia at the Guildhall, the art collection at Guildford House Gallery, sculptures and artwork around the Borough and the museum collection at Guildford Museum.

**Housing Revenue Account (HRA)** – an account used to record the income and expenditure related to council housing. The Housing Revenue Account is ring-fenced from the rest of the General Fund. This is to ensure that the expenditure on managing tenancies and maintaining council houses is funded by rents charged to council tenants.

**Housing Revenue Account Income and Expenditure Statement** – this shows the income and expenditure relating to the provision of council housing.

**Impairment** – a reduction in the balance sheet value of a fixed asset.

**International Accounting Standard (IAS)** – these are the international accounting standards which state how balances, transactions and other events must be calculated and shown in the accounts.

**International Financial Reporting Standards (IFRS)** - these are the international financial reporting standards which state how balances, transactions and other events must be calculated and shown in the accounts.

**Internal Borrowing** – Internal borrowing occurs when rather than raising external borrowing to pay for capital expenditure, the Council uses cash, which would otherwise be externally invested.

**Investment** – a long-term investment is an investment held for use on a continuing basis in the activities of the Council for 365 days or more. A short-term investment relates to the investment of surplus funds for 364 days or fewer.

**Investment Property** – a property that is used to earn rental income.

**LASAAC** – Local Authority (Scotland) Accounts Advisory Committee.

## GUILDFORD BOROUGH COUNCIL DRAFT STATEMENT OF ACCOUNTS 2020-21

**Lease** – a lease is a contract for the hire of a specified asset. The lessor owns the asset but transfers the right to use the asset to the lessee for an agreed period in return for the payment of specified rentals. A **finance lease** transfers all the risks and rewards of ownership, such as the cost of repairs and maintenance, to the lessee. All other leases are classified as **operating leases**.

**Lessee** – an organisation to whom a lease is granted.

**Lessor** – the owner of an asset who leases it to a third party

**Local Council Tax Support Scheme (LCTSS)** - introduced by the Government in April 2013. Under the LCTSS, council tax payers who previously received a benefit payment, now receive a discounted council tax bill instead.

**Long term** – a term of 365 days or more.

**Minimum Revenue Provision (MRP)** – the minimum amount which must be charged each year to the Council's General Fund revenue account and set aside as provision for credit liabilities. There is no MRP requirement for the Housing Revenue Account (HRA).

**Movement In Reserves Statement (MIRS)** – this shows the movement in the year on the different reserves held by the Council.

**Out-turn** – actual income and expenditure.

**PPE** – Property, Plant and Equipment i.e. tangible assets that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and expected to be used for at least part of the succeeding financial year.

**Precept** – a charge levied by a council. Precepts are levied by Guildford Borough Council, Surrey County Council, Parish Councils and the Surrey Police and Crime Commissioner.

**Provision** – an amount, set aside in the accounts, for likely liabilities incurred but where the amounts or dates on which they will arise are uncertain.

**Prudential Code** – a code produced by CIPFA that Councils are required to follow when deciding upon their programme for capital expenditure.

**Revenue expenditure** – the day-to-day costs incurred by the Council. This is distinct from capital expenditure.

**Right to Buy** – the right of council tenants to buy their council houses at a discount.

**S106 income** – money received from planning obligations under Section 106 of the Town and Country Planning Act 1990 (as amended).

**Short term** – a term of 364 days or fewer.

**Straight line basis** – depreciation that is charged on a straight line basis is charged in equal amounts for each year of the useful economic life of the fixed asset.

**Trade payables** – amounts owed to third parties when goods or services have been received but not yet paid for

**Trade receivables** – amounts due from third parties where goods or services have been supplied

## GUILDFORD BOROUGH COUNCIL DRAFT STATEMENT OF ACCOUNTS 2020-21

**Unapplied capital receipts** – capital receipts which have not been used.

**Usable reserves** – those that the Council can use to finance expenditure or reduce local taxation.

**Unusable reserves** – these cannot be used to finance expenditure or reduce local taxation. These include reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts only become available if the assets are sold; and reserves that hold timing differences.

**Vacant Possession Adjustment Factor** - a vacant possession adjustment factor of 32% means that the Council values its council houses at 32% of their open market value in the Balance Sheet. The percentages used are set by central government. The vacant possession adjustment factor is used to reflect that a council owned property has a lower open market value when it is occupied by a tenant.