Surrey County Council

Statement of accounts

2023/24

CONTENTS

1. INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SURREY COUNTY COUNCIL

Opinion

We have audited the financial statements of Surrey County Council ('the Council') and its subsidiaries (the 'Group') for the year ended 31 March 2024. The financial statements comprise the:

- Council and Group Comprehensive Income and Expenditure Statement,
- Council and Group Movement in Reserves Statement,
- Council and Group Balance Sheet,
- Council and Group Cash Flow Statement
- the related notes 1 to 44 including material accounting policy information and including the Expenditure and Funding Analysis.
- and include the firefighters' pension fund financial statements comprising the Fund Account, the Net Assets Statement, and the related notes 1 to 5

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

In our opinion the financial statements:

- give a true and fair view of the financial position of Surrey County Council and the Group as at 31 March 2024 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Code of Audit Practice 2024, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Deputy Chief Executive and Executive Director – Resources (S151 Officer) 's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Council's ability to continue as a going concern for a period to 31 March 2026.

Our responsibilities and the responsibilities of the Deputy Chief Executive and Executive Director – Resources (S151 Officer) with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Other information

The other information comprises the information included in the Statement of Accounts 2023/24, other than the financial statements and our auditor's report thereon. The Deputy Chief Executive and Executive Director – Resources (S151 Officer) is responsible for the other information contained within the Statement of Accounts 2023/24.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Group and the Council
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended)
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended)
- we are not satisfied that the Group and the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

We have nothing to report in these respects.

Responsibility of the Deputy Chief Executive and Executive Director – Resources (S151 Officer)

As explained more fully in the Statement of the S151 Officer's Responsibilities set out on page16, the Deputy Chief Executive and Executive Director – Resources (S151 Officer) is responsible for the preparation of the Statement of Accounts 202324, which includes the Group financial statements and the firefighters pension fund financial statements**,** in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, 2023/24, for being satisfied that they give a true and fair view and for such internal control as the Deputy Chief Executive and Executive Director – Resources (S151 Officer) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Deputy Chief Executive and Executive Director – Resources (S151 Officer) is responsible for assessing the Group and the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Group and the Council either intends to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are:

- Local Government Act 1972,
- School Standards and Framework Act 1998,
- Transport Act 2000,
- Education Act 2002 and school Standards and Framework Act 1998 (England),
- Local Government Act 2003,
- The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018, 2020, and 2022,
- Waste and Emissions Trading Act 2003
- National Health Service Act 2006

- Planning Act 2008 and the Community Infrastructure Levy Regulations 2010 (SI 2010/948)
- The Local Audit and Accountability Act 2014 (as amended), and
- The Accounts and Audit Regulations 2015.

In addition, the Group and the Council has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment Legislation, tax Legislation, general power of competence, procurement and health & safety.

We understood how Surrey County Council is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management/head of internal audit/those charged with governance and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the Group and the Council's committee minutes, through enquiry of employees to confirm Group and the Council policies, and through the inspection of employee handbooks and other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

We assessed the susceptibility of the Group and the Council's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified inappropriate capitalisation of revenue expenditure and management override of controls to be our fraud risks.

To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested the Group and the Council's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine.

To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested specific transactions back to source documentation to confirm that the journals were authorised and accounted for appropriately**.**

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

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice 2024, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in November 2024**,** as to whether the Surrey County Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Surrey County Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether the Surrey County Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 (as amended) to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Pension Fund financial statements

On 28 February 2025 we issued our opinion on the Pension Fund financial statements for the year ended 31 March 2024 included within the Statement of Accounts 2023/24.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance certificate in respect of the Whole of Government Accounts consolidation pack and the NAO, as group auditor, has confirmed that no further assurances will be required from us as component auditors of Surrey County Council.

Further to this, we cannot formally conclude the audit and issue an audit certificate until the outstanding objection has been closed.

Until we have completed these procedures, we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of Surrey County Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the Group's members as a body, for our audit work, for this report, or for the opinions we have formed.

Janet Dawson
Ernst & Young LLP

Janet Dawson (Key Audit Partner)

Ernst & Young LLP (Local Auditor)

London

28 February 2025

2. SECTION 151 OFFICER'S FINANCIAL OVERVIEW

Andy Brown, Deputy Chief Executive and Executive Director of Resources (Section 151 Officer)

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

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

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

The medium-term financial and economic outlook beyond 2024/25 remains uncertain and the challenges are set to continue. With no clarity on central government funding in the medium term, and changes to the political landscape, our working assumption is that financial resources will continue to be constrained, as they have been for the majority of the past decade. This places an onus on the Council to continue to consider issues of financial sustainability as a priority, in order to ensure the stable provision of services in the medium term. While we will continue to have conversations with Government around what we feel is fair and necessary for Surrey, we must look to the future and prepare properly for these anticipated budget impacts. The Council's Transformation Programme is ongoing and continually refreshed, to maximise every opportunity to deliver better services to our residents, in the most effective and efficient way possible. In addition, the council has implemented a number of cost controls to ensure the effective use of financial resources.

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

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

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

1. EXECUTIVE SUMMARY & NARRATIVE REPORT

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

Context about the County

Surrey has a population of 1.2million people and an economy worth £43.5 billion. The population are largely healthy, active and have a long life expectancy. The county is affluent but with pockets of social deprivation. There are significant inequalities in healthy life expectancy.

Organisational Strategy

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

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

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

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

Financial Performance - Revenue

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

Financial Performance - Capital

The final capital programme budget for 2023/24 was £278.2m, after a re-set at month five to take into account carry forwards, acceleration, known delays and in-year approvals and to provide a stable baseline for the remainder of the year after analysis of deliverability carried out by the Strategic Capital Groups (SCG's). Capital spend for the year against this budget is £293.1m, which represents delivery of 94.6% of the re-set plan in year. Further spend relating to Your Fund Surrey and commercial properties, increases total capital expenditure for 2024/25 to £298.7m.

Strategic Risks

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

3.1. ABOUT THE COUNTY

Our services to the people of Surrey include: education, supporting and protecting vulnerable people through social services, managing the treatment of waste, maintaining, managing and improving roads and public transport networks, libraries, strategic planning, consumer protection, public health and fire and rescue services.

Since 1889, we have had the responsibility to meet our local people's needs and ensure that council tax and business rate payers get value for money. This is recognised through transparency, information and public accountability.

Population: Surrey has a population of approximately 1.2 million. The current population is largely healthy and active and has an upwards trend in life expectancy for men and women. By 2030 the population is expected to grow to 1.21 million, with the proportion of working age residents (16 - 64 year olds) and of younger people expected to decrease while there are expected to be more residents aged over 65, and a 29% increase in the number of over 85s.

Health and Wellbeing: The county is affluent but with pockets of social deprivation. There are significant inequalities in healthy life expectancy. Between wards there is a 10-year gap in life expectancy for males (76 – 86) and a 14-year gap for females (80 – 94). This gap is linked to deprivation; with healthy life expectancy in the least deprived quartile 4.8 years higher for women and 4.7 years higher for men than in the most deprived quartile. In Surrey, average ratings of well-being have deteriorated across all indicators in the year ending March 2021, continuing a trend that was seen across most indicators in the previous period, but even more sharply and which notably takes place during the COVID-19 pandemic. This is most profoundly observed with declining mental health across the population.

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

Education and Skills: Surrey's population is highly qualified with over 50% of the working age population holding a degree-level qualification with over 22% of residents employed in professional, technical and scientific businesses. At school in the first public exams following the pandemic, 58.1% achieved a strong pass in English and Maths, compared to 50.0% nationally and 52.1% in the South East.

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

Housing: Housing in Surrey is increasingly expensive, with an average median property price of £510,000 (March 2023) but this varies considerably across districts (ranging between £449,000 - £665,000). There is proportionally less affordable housing than other areas in the South East, and consequently a growing need for affordable housing especially for residents on low incomes. Homelessness is increasing in Surrey too. In 2021/22, 1,912 households were owed a prevention duty (assessed as threatened with homelessness), and 1,366 households were owed a relief duty (assessed as homeless).

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

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

The Community Vision for Surrey 2030, which was created with residents, communities and partners on behalf of the whole county, sets out how we all want Surrey to be by 2030. Together, we are all working to deliver a uniquely special place where everyone has a great start to life, people live healthy and fulfilling lives, are enabled to achieve their full potential and contribute to their community, and where *no one is left behind*. The Council plays a big part in the joint effort to realise this vision.

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

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

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

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

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

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

OUR ORGANISATION

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

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

OUR PEOPLE

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

3.3. THE COUNCIL'S PERFORMANCE ACHIEVEMENTS 2023/24

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

Service Delivery:

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

Investment

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

Right Homes, Right Support - Our **Accommodation with Care and Support Strategy** aims to support residents to live independently in the 'right homes with the right support'. In total, we have an ambition to deliver more than 1,400 units of specialist accommodation across Surrey. This includes delivering a minimum of 725 units of affordable **extra care housing** for older people. We already have firm plans in place to deliver around 350 units and have secured full planning approval at one site and outline planning approval at a further two sites.

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

SEND School Extension

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

Skills and the regional economy

Promoting a **sustainable economy** for the benefit of all is one of SCC's four corporate priorities:
- Working collaboratively with businesses and training providers to provide opportunities.
- Focus on priority cluster sectors demonstrate innovation and growth.

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

Towns and Villages Approach

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

3.4. FINANCIAL PERFORMANCE

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

The final figure in the Comprehensive Income & Expenditure Statement (CIES) for the Provision of Services for the year is a deficit of £197m. The difference between the outturn position and the CIES relates to the need to ensure the CIES is compliant with International Financial Reporting Standards. There are a number of accounting adjustments for capital, pensions and reserves that lead to a deficit of £197m (deficit of £123m 2022/23) in the CIES. These adjustments are technical in nature and do not affect the funding available to deliver services.

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

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

Addressing future challenges

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

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

3.4.1. 2023/24 REVENUE SPENDING AND BUDGET PERFORMANCE

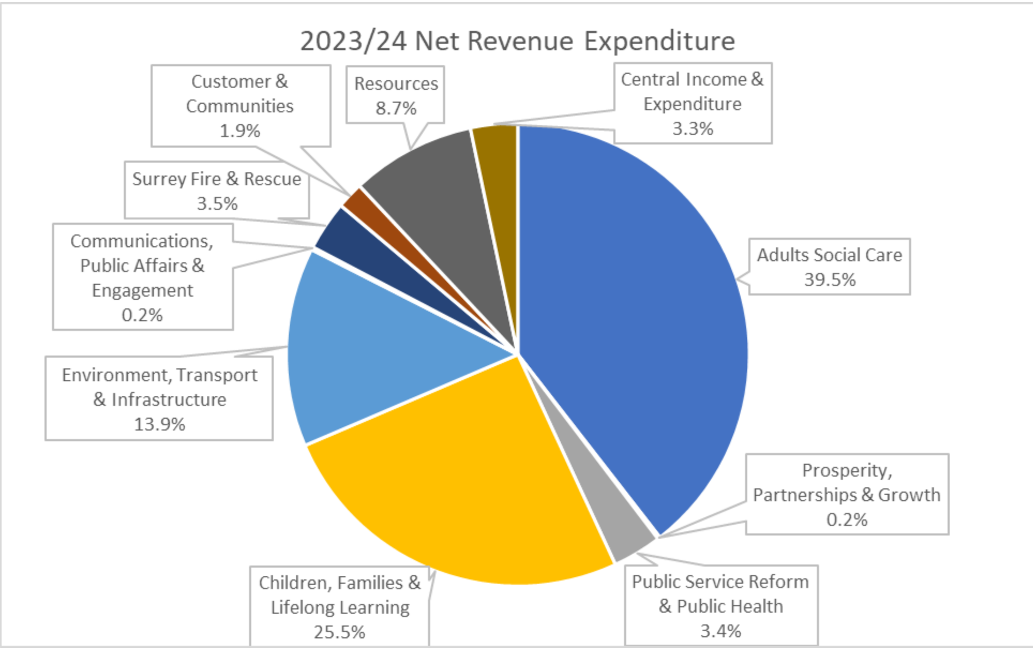
Efficiencies

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

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

Revenue Expenditure and Funding

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



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

3.4.2. BALANCE SHEET

The Council holds £2,463m of long-term assets at 31st March 2024 (£2,433m as at 31st March 2023), which is primarily made up of the property, plant and equipment held by the Council. Details on these assets can be found mainly in notes 13 and 14. In addition to these balances, the Council holds material balances relating to pension liabilities and borrowing:

- The pension liability recognised on the Council's balance sheet has a significant impact on the net worth of the Council. Pension benefits do not become payable until employees retire, however the Council is required to account for the future obligations at the same time as the employees accrue pension benefits. The pension liability is calculated by an independent actuary, Hymans Robertson. The net Local Government Pension Scheme liability is estimated to be £29m at the balance sheet date (£247m at 31st March 2023; a decrease of £218m). The firefighters pension liability is also included within the Council's Accounts and is estimated to be £447m, (£454m at 31st March 2023; a decrease £7m). The liability does not need to be met within the next year but over the working lifetime of the scheme members. The Council is making appropriate lump sum payments to the pension fund in addition to the contributions related to current employees. The accounting deficit is based on a snapshot in time and does not predict the funds financial condition or its ability to pay benefits in the future. Cash flow into the fund is positive and solid with significant gains made on investments alongside the increased liabilities.
- The Council continues to pursue a strategy of temporarily borrowing using its internal resources to finance capital expenditure and using short-term borrowing to cover short-term cash flow requirements. Long-term borrowing is £472m (2022/23 £478m). This is a decrease of £6m from 31st March 2023.
- Short-term borrowing, mainly from other Local Authorities, has increased to £295m (2022/23 £174m), as part of the financing strategy for the Council's Capital Programme

Summarised Balance Sheet	**As at 31 March 2023 £m**	**As at 31 March 2024 £m**
Long term assets – comprises of Property, Plant Equipment, Investment Properties, Software & Licences, Subsidiary Holdings and Loans	2,433	2,463
Current assets – comprises of Assets held for Sale, Salt Stock, Debtors, Cash	385	329
Total assets	2,818	2,792
Offset by:		
Current liabilities – comprises of Liabilities due in one year: Borrowing, Creditors, Provisions, Receipts in advance, Lease obligations	(497)	(593)
Long term liabilities – comprises of Liabilities due over one year: Borrowing, Provisions, Lease obligations, Pension liabilities	(1,259)	(1,072)
Total liabilities	(1,756)	(1,665)
Makes - total net assets	**1,062**	**1,127**

Summarised Balance Sheet (Cont.)	As at 31 March 2023 £m	As at 31 March 2024 £m
Which funded by:		
Usable reserves – comprises of General Fund, & Earmarked reserves and Balances held on behalf of schools	(750)	(724)
Unusable reserves – comprises of Specific accounting treatments for: Pension, Revaluation & other Capital adjustments, Council tax and Business rates adjustments	(312)	(403)
Total reserves	**(1,062)**	**(1,127)**

3.4.3. CAPITAL

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

The table below highlights the capital expenditure (green) against funding (blue).

Capital programme spend:		
Highways, Transport, Major Environment, Infrastructure & Projects	£158m	53%
Council Land and Buildings	£124m	42%
Other	£17m	6%
Total 2023/24 capital spend	£299m	

Funded by:		
Borrowing	£155m	52%
Grants	£79m	27%
Capital receipts	£45m	15%
Third party contributions	£13m	4%
Direct revenue contributions	£6m	2%
Total 2023.24 capital funding	£299m	

Looking forward

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

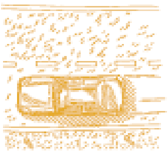
Our aspirations remain high and the Capital Programme for 2024/25 – 2028/29 totals £1.3bn and proposes ongoing investment in priority areas such as highways infrastructure, improving the condition of our property estate, creating additional school places including for children with special educational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

TOP 10 BUDGET SCHEMES

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

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

£35m
A320 North of Woking and Junction 11 of M25



Homes England grant funded road and junction improvements.

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

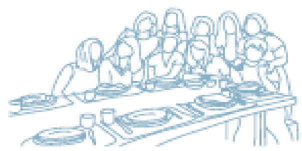
£15m
Local Highways Schemes
provision for locally determined priorities for highways investment.

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

£15m
Recurring Capital Maintenance Corporate (non-schools)

County wide maintenance of service buildings, community facilities and offices.

£15m
Corporate Parenting Schemes (Care Homes & Care Leavers Accommodation).



Increasing accommodation provision for Looked After Children and Care Leavers across Surrey.

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

£15m

Surrey Infrastructure Plan
County wide large infrastructure schemes.

3.5. STRATEGIC RISKS FOR UPCOMING YEAR AND GOVERNANCE

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

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

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

Our key risks are set out in the table below.

Key strategic risks

Financial Resilience

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

Organisational Resilience

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

Ways we work

Not able to recruit and retain sufficient numbers of skilled staff

Not achieving the intended outcomes of our transformation programme

Not complying with Health & Safety duties

Insufficient measures implemented to deliver carbon emissions reductions

Social Care

Resurgence of Covid-19 or other widespread virus

Cost of Living reducing living standards

Inability to meet an increasing level of demand for services

Not delivering sufficiently good quality adult's or children's services

3.6. EXPLANATION OF ACCOUNTING STATEMENTS

The Statement of Accounts sets out the Council's income and expenditure for the year, and its financial position at 31st March 2024. It comprises core and supplementary statements, together with disclosure notes. The format and content of the financial statements are prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, which in turn is underpinned by International Financial Reporting Standards.

The Core Statements are:

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

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

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

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

The Group Accounts include:

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

The Supplementary Financial Statements are:

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

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

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

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

3.7. MATERAL ITEMS & GROUP ACCOUNTS

Details of specific material items of income and expenditure include:

- Government Grant and Council Tax income (note 12)
- The accumulated DSG deficit (£79m in 2023/24, £62m in 2022/23) which has been required to be shown as an unusable reserve since a change in the Code of Practice in 2021/22 (note 24).
- De-recognition of academy schools – when a school changes status to an academy, the ownership of the land and buildings transfers from the Council to the school. The assets are written out of the balance sheet and an accounting adjustment is made in the CIES.

Group accounts are prepared, combining the accounts of the below organisations with those of the Council and excluding any intra-group transactions and balances, to give an overall group position. The Council considers all its relationships and interests in other entities and has concluded that it exercises control or has significant influence over the economic activities of the following organisations:

- Hendeca Group Limited (formerly S E Business Services Ltd) - a Local Authority Trading Company (LATC), wholly owned by the Council, set up for the provision of business services.
- Surrey Choices Ltd - a LATC, wholly owned by the Council, set up for the delivery of day services and community support options for people with disabilities and older people.
- Halsey Garton Property Ltd- a LATC, wholly owned by the Council, to make property investments.
- Halsey Garton Residential Ltd - a LATC, wholly owned by the Council set up for the letting and operating of own or leased rental estate.

The below entity is consolidated on a proportional basis of the balance sheet due to only owning 50% and exercises joint control with Commercial Services Kent Ltd. The principal place of business is 1 Abbey Wood Road, Kings Hill, Kent, ME19 4YT.

- Connect2Surrey (formally known as Surrey & Kent CS LLP) – The Council exercises joint control over this limited liability partnership, a temporary recruitment company specialising in the public sector.

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2. STATEMENT OF RESPONSIBILITIES

The Council's responsibilities

The Council is required to:

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

The S151 Officer's responsibilities

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

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

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

The S151 Officer has:

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

Certification

I certify that the statement of accounts set out on pages 16 to 117 presents a true and fair view of the financial position of the Council and of its expenditure and income for the year ended 31st March 2024; that the firefighter pension fund accounting statements on pages 130 to 132 give a true and fair view of the financial transactions of the firefighter pension fund during the year ended 31st March 2024; that the statement of accounts within the separate attachment presents a true and fair view of the financial position of the Surrey County Council Pension Fund at 31st March 2024 and its income and expenditure for the year then ended.

Andy Brown

Deputy Chief Executive and Executive Director of Resources (Section 151 Officer)

Victor Lewanski

Chairman of Audit & Governance Committee

3. Key Primary Statements

Comprehensive Income and Expenditure

Restated Year ended 31 March 2023 Gross Expenditure £000	Income £000	Net Expenditure £000		Year ended 31 March 2024 Gross Expenditure £000	Income £000	Net Expenditure £000
704,678	(339,309)	365,370	Children, Families, & Lifelong Learning	748,085	(382,871)	365,214
367,843	(356,044)	11,799	Delegated Schools	345,577	(343,071)	2,507
680,339	(215,037)	465,302	Adult Social Care	712,647	(232,503)	480,144
49,133	(52,194)	(3,061)	Public Health & Public Service Reform	42,509	(46,321)	(3,812)
238,404	(29,166)	209,238	Environment, Transport & Infrastructure	252,728	(29,460)	223,267
66,087	(6,479)	59,608	Surrey Fire & Rescue	60,902	(20,732)	40,170
48,802	(15,027)	33,775	Customer & Communities	49,151	(18,539)	30,612
83,972	(60,224)	23,748	Resources	71,611	(818)	70,792
1,673	(90)	1,583	Partnership, Prosperity and Growth	1,864	(484)	1,381
60,341	(67,175)	(6,834)	Central Income & Expenditure	122,202	(100,661)	21,541
2,301,272	**(1,140,745)**	**1,160,528**	Cost of Services – continuing operations	**2,407,276**	**(1,175,460)**	**1,231,815**
29,814	(25,392)	**4,422**	Other Operating (Income) & Expenditure (note 10)	80,856	(41,767)	**39,089**
131,770 ❶❸	(23,127) ❶❸	**108,643**	Financing & Investment (Income) & Expenditure (note 11)	101,128	(23,442)	**77,686**
	(1,149,953)	**(1,149,953)**	Taxation, general grants & contributions (note 12 & 32)		(1,151,287)	**(1,151,287)**
2,462,856 ❶❸	**(2,339,217) ❶❸**	**123,639**	**(Surplus) or Deficit on Provision of Services**	**2,589,260**	**(2,391,956)**	**197,304**
		(89,612) ❹	(Surplus) on revaluation of non-current assets (note 24)			(6,291)
		(1,315,634)	Remeasurement (reduction) of the net defined benefit liability (note 24)			(254,906)
		(1,405,246)	**Other Comprehensive (Income) & Expenditure**			**(261,197)**
		(1,281,607)	**Total Comprehensive (Income) & Expenditure**			**(63,893)**

❶❸❹See Note 44: Prior year restatements that outline the original disclosure & adjustment.

Note: Taxation, general grants & contributions are all (income) related transactions

Movement in Reserves Statement

2023/24	❷ General Fund (note 23) £000	Earmarked Reserves (note 9) £000	❷Capital Receipts Reserve (note 23) £000	Capital Grants & Contributions Unapplied (note 23) £000	❷ Total Usable Reserves £000	❸❹ Unusable Reserves (note 24) £000	❷❸❹ Total Council Reserves £000
Balance at 31 March 2023	**(49,072)**	**(442,470)**	**(35,724)**	**(222,629)**	**(749,895)**	**(312,771)**	**(1,062,666)**
(Surplus) or deficit on provision of services (accounting basis)	197,312	-	-	-	197,312	-	**197,312**
Other comprehensive income & expenditure	-	-	-	-	**-**	(261,197)	**(261,197)**
Total comprehensive income & expenditure	**197,312**	**-**	**-**	**-**	**197,312**	**(261,197)**	**(63,855)**
Adjustments between accounting basis & funding basis under regulations (note 8)	(182,720)	-	25,073	(13,554)	(171,201)	171,201	**-**
Transfers to / from earmarked reserves	(14,584)	14,584	-	-	-	-	**-**
Increase/decrease in year	8	14,584	25,073	(13,554)	26,111	(89,996)	**(63,885)**
Balance at 31 March 2024	**(49,064)**	**(427,886)**	**(10,651)**	**(236,183)**	**(723,784)**	**(402,768)**	**(1,126,552)**
2022/23							
❸ Restated balance at 31 March 2022	(48,360)	(412,900)	(782)	(189,185)	(651,227)	870,166	**218,939**
❸(Surplus) or deficit on provision of services (accounting basis)	**123,639**	-	**-**	**-**	**123,639**	**-**	**123,639**
Other comprehensive income & expenditure	**-**	-	-	-	**-**	(1,405,246)	**(1,405,246)**
Restated total comprehensive income & expenditure	**123,639**	**-**	**-**	**-**	**123,639**	**(1,405,246)**	**(1,281,607)**
❷ Adjustments between accounting basis & funding basis under regulations (note 8)	(153,923)	-	(34,942)	(33,445)	(222,310)	222,310	**-**
Restated transfers to / from earmarked reserves	29,572	(29,572)	-	-	-	-	**-**
Increase/decrease in year	**(712)**	**(29,572)**	**(34,942)**	**(33,445)**	**(98,669)**	**(1,182,937)**	**(1,281,607)**
❷❸ Restated balance at 31 March 2023	**(49,072)**	**(442,470)**	**(35,724)**	**(222,629)**	**(749,895)**	**(312,771)**	**(1,062,667)**

❷❸❹See Note 44: Prior year restatements that outline the original disclosure & adjustment.

Balance Sheet

Restated as at 01.04.2022 £000	Restated as at 31.03.2023 £000		Note:	As at 31.03.2024 £000
1,947,044	2,047,645	❹ Property, plant & equipment	13	2,090,747
1,024	1,024	Heritage assets		1,024
131,240	91,465	Investment property	14	75,230
3,588	3,338	Intangible assets	15	23,179
59,191	47,781	❸ Long term investments	17	30,673
242,176	241,740	Long term debtors	17	242,595
2,384,263	**2,432,993**	**❸ Long term assets**		**2,463,448**
		Short Term:		
27,710	22,286	Assets held for sale	20	8,511
1,255	1,182	Inventories		943
189,611	254,971	Short term debtors	18	265,391
171,944	106,969	Cash & cash equivalents	19	53,673
390,520	**385,408**	**Current assets**		**328,518**
		Short Term:		
(237,996)	(173,810)	Borrowing	17	(295,161)
(260,381)	(293,310)	Creditors	21	(286,879)
(3,480)	(2,651)	Provisions	22	(2,502)
(1,511)	(7,450)	Revenue grants receipts in advance		(1,709)
(34)	(10)	Capital grants receipts in advance		(10)
(21,771)	(19,840)	Other current liabilities	36	(7,003)
(525,173)	**(497,071)**	**Current liabilities**		**(593,264)**
(13,022)	(11,604)	Provisions	22	(9,319)
(487,281)	(477,762)	Long term borrowing	17	(471,738)
(1,968,246)	(769,298)	Other long-term liabilities	36,37,38,39	(591,093)
(2,468,549)	**(1,258,664)**	**Long term liabilities**		**(1,072,150)**
(218,939)	**1,062,666**	**Net assets/(liabilities)**		**1,126,552**
(651,226)	(749,895)	Usable reserves	8,23	(723,784)
870,165	(312,771)	❸❹ Unusable reserves	24	(402,768)
218,939	**(1,062,666)**	**Total reserves**		**(1,126,552)**

❸❹See Note 44: Prior year restatements that outline the original disclosure & adjustment.

The unaudited accounts were issued on 4 July 2024 and the audited accounts were authorised for issue on 28 February 2025. – Andy Brown, Deputy Chief Executive and Executive Director of Resources (Section 151 Officer).

Cash Flow Statement

Restated 2022 - 23 £000		Note	2023 – 24 £000
(123,639)	❸❹ Net (deficit) on the provision of services		(197,304)
316,631	❸❹ Adjustment to surplus or deficit on the provision of services for noncash movements	41	290,434
(161,084)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	41	(126,172)
31,908	**Net Cash flows from operating activities**		**(33,042)**
(10,747)	**Net Cash flows from investing activities**	42	**(124,970)**
(86,136)	**Net Cash flows from financing activities**	43	**104,716**
(64,975)	**Net (decrease) in cash and cash equivalents**		**(53,296)**
171,944	Cash and cash equivalents at the beginning of the reporting period		106,969
106,969	Cash and cash equivalents at the end of the reporting period		53,673

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

❸❹ See Note 44: Prior year restatements that outline the original disclosure & adjustment.

4. Notes to the Statement of Accounts

Note 1: Expenditure and Funding Analysis

The Expenditure and Funding analysis (EFA) shows how annual expenditure is used and funded from resources (ie: government grants, rents, Council Tax and Business Rates) by authorities in comparison with those resources consumed or earned by authorities in accordance with the Code.

The EFA also shows how this expenditure is allocated for decision-making purposes between the council's departments. Income and expenditure accounted for under generally accepted accounting practices (GAAP) is presented more fully in the comprehensive income and expenditure statement (CIES).

2023/24	As reported for resource management in outturn report £000	Adjustments to arrive at the net amount chargeable to earmarked reserves £000	Net Expenditure Chargeable to the earmarked reserves £000	Adjustments between the funding and accounting basis £000	Net Expenditure in the I&E Account £000
Children, Families and Lifelong Learning	286,547	26,899	313,446	51,770	365,216
Delegated Schools *	-	3,322	3,322	(816)	2,506
Adult Social Care	443,852	27,666	471,518	8,625	480,143
Public Service Reform and Public Health	38,506	(42,553)	(4,048)	236	(3,812)
Environment, Transport and Infrastructure	156,371	10,882	167,254	56,015	223,268
Surrey Fire & Rescue	38,772	12,764	51,536	(11,366)	40,170
Customer & Communities	20,955	6,577	27,532	3,080	30,612
Resources	101,444	(99,463)	1,980	68,812	70,792
Prosperity, Partnerships and Growth	1,901	(298)	1,603	(223)	1,380
Central Income & Expenditure **	36,595	22,312	58,906	(37,368)	21,538
Cost of services - continuing operations	**1,124,943**	**(31,892)**	**1,093,051**	**138,765**	**1,231,814**
Other Income and expenditure (Note 10, 11, & 12)	(1,124,943)	46,476	(1,078,467)	43,957	(1,034,510)
Deficit on provision of services	**-**	**14,584**	**14,584**	**182,722**	**197,304**

	General Fund £000	Earmarked reserves £000	General fund and earmarked reserves £000
Opening balances	**(49,072)**	**(442,470)**	**(491,542)**
Movement	8	14,584	14,592
Closing balance	**(49,064)**	**(427,886)**	**(476,950)**

2022/23

	As reported for resource management in outturn report £000	❷ Adjustments to arrive at the net amount chargeable to earmarked reserves £000	❷ Net Expenditure Chargeable to the earmarked reserves £000	Adjustments between the funding and accounting basis £000	Net Expenditure in the I&E Account £000
Children, Families and Lifelong Learning	271,980	52,918	324,898	40,472	365,370
Delegated Schools*	-	2,252	2,252	9,547	11,799
Adult Social Care	406,178	45,940	452,118	13,184	465,302
Public Service Reform and Public Health	36,386	(40,163)	(3,777)	716	(3,061)
❹ Environment, Transport and Infrastructure	138,703	13,730	152,433	56,805	209,238
Surrey Fire & Rescue	37,512	10,914	48,426	11,182	59,608
Customer & Communities	19,119	7,632	26,751	7,024	33,775
Resources	105,181	(135,753)	(30,572)	54,320	23,748
Prosperity, Partnerships and Growth	1,485	(51)	1,434	149	1,583
Central Income & Expenditure **	151,146	(16,046)	135,100	(141,932)	(6,832)
Cost of services - continuing operations	**1,167,690**	**(58,628)**	**1,109,064**	**51,467**	**1,160,530**
❸ Other Income and expenditure (Note 10, 11, & 12)	(1,168,343)	28,998	(1,139,345)	102,457	(1,036,888)
❷ (Surplus)/ Deficit on Provision of services	**(653)**	**(29,630)**	**(30,281)**	**153,924**	**123,642**

	❷General Fund £000	❷Earmarked reserves £000	❷General fund and earmarked reserves £000
Opening balances	(48,419)	(412,840)	(461,259)
❷ Movement	(653)	(29,630)	(30,283)
❷Restated closing balance	**(49,072)**	**(442,470)**	**(491,542)**

*Delegated schools budget is reported net of specific grants.

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

❷❹ See Note 44: Prior year restatements that outline the original disclosure & adjustment.

Note 1a: Note to the Expenditure and Funding Analysis

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note a)	Net change for the Pensions Adjustments (Note b)	Other Differences (Note c)	Total Adjustments
2023/24	£000	£000	£000	£000
Children, Families, and Lifelong Learning	23,575	3,881	24,314	51,770
Delegated Schools	125	(3,099)	2,158	(816)
Adult Social Care	1,878	4,029	2,719	8,625
Public Service Reform and Public Health	-	234	2	236
Environment, Transport and Infrastructure	74,152	1,831	(19,968)	56,015
Surrey Fire & Rescue	2,541	(13,944)	38	(11,366)
Customer & Communities	4,510	1,250	(2,681)	3,080
Resources	66,559	2,782	(529)	68,812
Partnership, Prosperity and Growth	-	71	(294)	(223)
Central Income & Expenditure	(32,741)	(1,065)	(3,561)	(37,368)
Net Cost of Service	140,598	(4,029)	2,198	138,765
Other Income and Expenditure	(1,661)	33,732	11,886	43,957
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure surplus or deficit	**138,937**	**29,703**	**14,084**	**182,722**

2022/23	£000	£000	£000	£000
Children, Families, and Lifelong Learning	24,416	16,056	-	40,473
Delegated Schools	493	9,054	-	9,547
Adult Social Care	(180)	13,364	-	13,184
Public Service Reform and Public Health	-	716	-	716
❹ Environment, Transport and Infrastructure	39,609	5,047	12,149	56,805
Surrey Fire & Rescue	1,998	9,184	-	11,181
Customer & Communities	3,206	3,818	-	7,024
Resources	41,794	12,526	-	54,320
Partnership, Prosperity and Growth	-	149	-	149
Central Income & Expenditure	(95,718)	(40,456)	(5,758)	(141,932)
Net Cost of Service	15,618	29,458	6,391	51,467
❸ Other Income and Expenditure	8,215	99,608	(5,366)	102,457
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure surplus or deficit	**23,833**	**129,066**	**1,025**	**153,924**

Note a: Adjustments for Capital Purposes

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

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

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

Taxation and non-specific grant income and expenditure –

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

Note b: Net Change for the Pensions Adjustments

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

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

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

Note c: Other Differences

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

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

Note 2: Income and expenditure analysed by nature

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

Restated 2022/23 £000			2023/24 £000
		Expenditure	
589,574	*	Employee benefits expenses	594,849
167,830	*	Staff expenditure at Voluntary Aided and Foundation schools	137,710
133,706		Depreciation, amortisation and impairment	110,883
1,322		Precepts and levies (Note 10)	1,191
6,454		Loss on disposal of non-current assets (note 10)	26
25,201		Derecognition of non-current assets (note 10)	58,453
81,353	❶	Interest expenses (note 11)	66,988
11,410	❸	Impairment at cost subsidiary - IAS 36 (Note 11, 17A, 17B)	16,883
-		Impairment in fair value adjustment - IFRS 9 (Note 11, 17A, 17C)	(1,000)
12,391		Loss in fair value of investment properties (note 14)	16,426
1,433,615	❹	Other service expenses	1,586,851
2,462,856		**Total expenditure**	**2,589,260**
		Income	
(1,019,487)		Government grants and contributions (note 12 & 32)	(953,984)
(346,193)		Fees, charges and other service income	(442,489)
(3,658)		Gains on disposal of non-current assets (note 10)	(19,682)
-		Gains in fair value of investment properties (note 11)	(1,507)
(951,523)		Income from council tax, non-domestic rates, district rate income (note 12)	(977,100)
(18,354)	❶	Interest and investment income (note 11)	(17,193)
(2,339,215)		**Total income**	**(2,391,956)**
123,641		Deficit on the provision of services	**197,304**

* Staff expenditure at Voluntary Aided and Foundation schools has been amended from £167,830k and adjusting Employee benefits from £589,574k

❶❸❹ See Note 44: Prior year restatements outline the original disclosure and adjustment.

Note 3. Accounting policies

Policy 1. General principles

The statement of accounts summarises the Council's transactions for the 2023/24 financial year and its position at the year ending 31 March 2024. The Council is required to prepare an annual statement of accounts by the Accounts and Audit Regulations 2015. The Regulations require the statement of accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 supported by International Financial Reporting Standards (IFRS).

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

Policy 1A. Going Concern

The concept of a going concern assumes that an authority's functions and services will continue in operational existence for the foreseeable future. Surrey County Council's accounts are drawn up under the CIPFA Local Authority Accounting Code of Practice (The Code), which requires Local Authorities to prepare their financial statements on a going concern basis. The provisions in the Code in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting. This assumption is based on the fact that local authorities carry out functions essential to the local community, exist by statute and are themselves revenue-raising bodies. If an authority was in financial difficulty, the prospects are that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year.

Whilst, like all local authorities, the Council is currently operating in a challenging and uncertain financial environment, it expects to continue to deliver current statutory services for the foreseeable future. The following summarises key aspects of the Council's financial position and measures in place to address risk to ensure its financially sustainability.

2023/24 Outturn and 2024/25 Forecast Position - The Council ended the 2023/24 year with a £2.8m overspend (less than 0.3% of the net revenue budget), the deficit was covered by a draw-down from the Budget Equalisation Reserve, to mitigate the impact on the General Fund. There is a projected overspend in 2024/25 of £18.6m (at the month 8 position), although this can be offset by the £20m budget held centrally, resulting in a forecast contribution to reserves, provided this position is maintained by the outturn.

2025/26 Budget & MTFS to 2029/30 - For successive years, the Medium Term Financial Strategy (MTFS) has been built on a number of high-level principles which are used as a framework to set the budget. These have proven to be successful and have been reaffirmed for the 2025/26 budget and are set out in the 2025/26 Budget and Medium Term Financial Strategy to 2029/30 papers to Council on 4 February 2025. The budget has gone through extensive iterations, with collaboration and challenge between Cabinet and the Corporate Leadership Team in the development of inflation and demand pressures as well as proposals for efficiencies and the development of transformation activities. These have then been scrutinised through wide engagement with Select Committees.

It is vital that the Council protects its resilient financial position. Significant efficiencies of £66.4m have been identified in the budget proposals for 2025/26 to reduce the forecast pressure on the budget. Over the Medium Term the Council has a projected budget gap of £273m. Adopting a medium-term focus is therefore essential and as a result transformation and service delivery plans are being developed now to identify opportunities to improve the medium-term financial outlook, developing a 'One-Council' approach to transformation with several cross-council programmes designed to optimise the way we work.

Reserves - Given the level of risk and uncertainty inherent in both the local authority environment and the national economic and political environment, coupled with ongoing uncertainty over future funding levels, retention of the Council's reserves will be essential, in order to provide financial resilience and ongoing financial sustainability. The Council has worked hard over recent years to replenish the level of reserves to an acceptable level for the risk environment in which we operate, providing additional financial resilience in the event of unanticipated financial pressures.

The 2025/26 Final Budget and Medium-Term Financial Strategy to 2029/30 sets out the Reserves and Risk Mitigation Strategy, including principles for the overall management of reserves to ensure the level is justifiable and commensurate with the risks that the Council faces and the context within which the authority operates. Reserve balances available to provide financial resilience against unforeseen events stands at £70.9m as at 31/3/25. Taken alongside the forecast General Fund position, this results in £121.4m, or 10% of the 2025/26 net revenue budget, of cover to mitigate against future risk and uncertainties. Based on the budgeted contribution to reserves in 2025/26, the overall of reserves held against risk rises to £98.9m /12%, including the general fund balance, by the end of 2025/26.

One of the most significant risks, to which the Council holds a counter reserve balance, is around the High Needs Block of the DSG. Although the Council is in a safety valve agreement, the high needs deficit continues to rise. Unlike the majority of other councils in safety valve arrangements, the Council holds a significant offsetting reserve balance of £144m to provide resilience. This, taken with other reserve balances, will ensure that should the statutory override not be continued beyond March 2026 then the Council, has sufficient reserves to offset the deficit.

Cash Flow - As set out in the Council's Treasury Management Strategy and Capital Strategy, the Council expects to be a long-term borrower. Treasury investments will therefore be made primarily to manage day-to-day cash flows (i.e. investing funds representing income received in advance of expenditure plus reserves) using short-term low risk instruments. For the first half of 2024/25, the Council held average balances of £66.8m. Cash balances are expected to reduce during the remainder of 2024/25 and over the MTFS.

The Council held £993m of loans (borrowing) at the end of November 2024 and expects additional borrowing of up to £250m in 2025/26, based on the approved capital programme. These figures remain within the Council's authorised limit for borrowing.

The Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. Short-term borrowing has been increased during recent years, when interest rates have been higher. Rates are anticipated to fall in the coming year and therefore consideration will be given to secure longer-term debt to match the investment made in assets and infrastructure, but current prevailing interest rates result in the holding of short term debt as the most prudent course despite the higher than expected short term rates. The risks of this approach will be managed by keeping the Authority's interest rate exposure within the limit set in the prudential indicators.

The local authority lending market remains a stable source of short term borrowing, alongside access to Public Works Loan Board (PWLB) loans and other sources of long term borrowing this provides assurance that the Council will continue to be able to source borrowing, within the parameters set out in its Treasury Management Strategy, to ensure the cash flow position and ability to repay its external debt & liabilities as they fall due.

The Council remains in a stable financial position and is continuing to work on addressing the medium-term financial pressures to ensure that it continues to remain financially strong. Therefore, we have no reason to conclude that the assumption to report on a going concern basis is no longer valid or that there is any evidence to suggest that the going concern assumption should be rebutted.

Policy 2. Recognition of income and expenditure

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

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

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

Policy 3. Council tax and business rates

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

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

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

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

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

Policy 4. Cash and cash equivalents

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

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

Policy 5. Charges to revenue for non-current assets

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

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

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

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

Policy 6. Employee benefits

Benefits payable during employment

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

Termination benefits

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

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

Post-employment benefits

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

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

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

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

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

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

- liabilities of the pension funds attributable to the council are included in the Balance Sheet on an actuarial basis using the projected unit method (i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees);
- liabilities are discounted to their value at current prices, using a discount rate of 4.8%.

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

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

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

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

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

Discretionary benefits

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

Policy 7. Events after the Balance Sheet date

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

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

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

Policy 8. Financial instruments

Financial liabilities

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

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

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

Financial assets

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

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

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

Financial Assets Measured at Amortised Cost

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

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

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

Financial Assets Measured at Fair Value through Profit of Loss

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

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

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

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

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

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

Expected Credit Losses

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

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

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

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

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

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

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

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

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

Policy 9. Fair value measurement

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

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

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

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

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

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

Policy 10. Government grants and contributions

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

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

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

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

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

Policy 11. Interests in companies and joint operations

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

The Council has determined that it exerts control over Hendeca Group Limited (formerly S.E. Business Services Limited), Surrey Choices Limited, Halsey Garton Property Limited and Halsey Garton Residential Ltd as these are all Local Authority Trading Companies wholly owned by the council. In 2023/24 group accounts have been produced due to material balances held by subsidiary companies. The Council has determined it exerts joint control over Connect2Surrey and applied proportional consolidation due to its joint control with Commercial Services Kent Ltd .

In the Council’s own single entity accounts, the value of shares in subsidiary companies are recorded as long-term investments, long-term loans provided to the subsidiaries are held as long-term loans and any debtor and creditor balances between the council and the subsidiaries are also included within the relevant balance. In the group accounts, the single entity county council accounts are combined with the accounts of the subsidiary companies and any intra-group transactions and balances are excluded as part of the consolidation process to give the overall group position. The investment properties held by subsidiaries are held at fair value (see policy 9). The Council’s investment in the subsidiaries are held at cost on the Council’s balance sheet.

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

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

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

- its expenses, including its share of any expenses incurred jointly.

In April 2015 the Surrey Better Care Fund was established. This is a joint operation between the council and seven NHS Clinical Commissioning Groups to provide integrated healthcare and support within the area. The council is the lead partner in the fund but shares control with each partner and as such will account for its share of assets, liabilities, revenue and expenditure in the accounts. Integrated care boards (ICBs) replaced clinical commissioning groups in the NHS in England from 1 July 2022.

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

In addition, the council is part of a partnership with East Sussex County Council and Brighton & Hove City Council that aims to provide business services to the public sector. The partnership is established under a Joint Committee. The Joint Committee is responsible for delivering services from a Joint Operating budget. During 2023/24 Surrey County Council, East Sussex County Council and Brighton & Hove City Council contributed to the Joint Operating budget in proportion to their service delivery requirements, which were 50%, 28% and 22% respectively.

Policy 12. Leases

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

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

The Council as lessee

Operating leases

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

The Council as lessor

Operating leases

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

Policy 13. Overheads and support services

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

Policy 14. Private Finance Initiative (PFI) and similar contracts

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

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

- **fair value of the services received during the year** is debited to the relevant service in the Comprehensive Income and Expenditure Statement;
- **finance cost** is an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- **contingent rent** is an increase in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- **payment towards liability** is applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease);
- **lifecycle replacement costs** reflect a proportion of the amounts payable to be posted to the Balance Sheet as a prepayment and then recognised as additions to property, plant and equipment when the relevant works are eventually carried out.

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

- Waste;
- Street Lighting;
- Care UK.

Policy 15. Property, plant and equipment (including assets held for sale)

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

Impairment

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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

Disposals and non-current assets held for sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The asset is re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on assets held for sale.

If assets no longer meet the criteria to be classified as held for sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is charged as an impairment to the Other Operating Income & Expenditure line in the Comprehensive Income and Expenditure Statement. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). The asset is then derecognised at zero value. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts, are credited to the Capital Receipts Reserve and can then only be used for new capital investment. Receipts are appropriated to the reserve from the General Fund Balance in the Movement in Reserves' Statement. The written-off value of disposals is not a charge against council tax as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

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

Policy 16. Highways Network Infrastructure Assets:

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

Recognition:

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

Measurement:

Highways network infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost - opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 2023 which was deemed at that time to be historical cost.

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

Depreciation:

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

Annual depreciation is the depreciation amount allocated each year.

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

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

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

Policy 17. Disposals and derecognition:

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

The written-off amounts of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are transferred to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

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

Policy 18. Investment properties

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

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

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

Policy 19. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

Policy 20. Provisions, contingent liabilities and contingent assets

Provisions

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

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

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

Contingent liabilities

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

Policy 21. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the general fund in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure. Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits, and do not represent usable resources for the council; these reserves are explained in the relevant policies.

Policy 22. Revenue expenditure funded from capital under statute

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

Policy 23. Schools

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

Policy 24. Value Added Tax (VAT)

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

Note 3a: Accounting standards issued but not adopted

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

i. IFRS 16 Leases issued in January 2016
ii. Classification of Liabilities as Current or Non-current (Amendments to IAS 1) issued in January 2020.
iii. iii. Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) issued in September 2022. The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions.
iv. iv. Non-current Liabilities with Covenants (Amendments to IAS 1) issued in October 2022.
v. v. International Tax Reform: Pillar Two Model Rules (Amendments to IAS 12) issued in May 2023. Pillar.
vi. vi. Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7) issued in May 2023.

The implementation of i. IFRS 16 Leases will have a significant impact on the 2024/25 accounts, the standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases, unless the lease term is less than one year or the underlying asset has a low value. Transition work is underway although currently the impact of IFRS 16 in terms of the value of liabilities and right of use assets to be brought onto the balance sheet as at 1 April 2024 cannot be reasonably estimated.

As the 2024/25 Code requires implementation from 1 April 2024 it has no impact on the data within the 2023/24 Statement of Accounts.

It is likely that though they provide clarifications, items ii, iii and iv will not have a significant impact on the amounts anticipated to be reported in the financial statements.

There will be limited application of items v) and vi).

Note 4: Critical judgements in applying accounting policies

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

Issue	Judgement
Property, Plant and Equipment	The Council has a policy to revalue its land and buildings at least every 5 years and undertakes an annual review, based on applying percentage movements on revalued assets to the unvalued asset portfolio, to ensure that the carrying amount of assets not revalued in year is not materially different to their current value at the balance sheet date. 0.1% of assets in the balance sheet have not been revalued in the past 5 years. Due to the value, valuation type and prior valuation date of these assets, and the percentage movements on the revalued assets, we are confident that the value of assets not revalued is not materially different to their current value at the balance sheet date.
Impairment and Expected Credit Losses	IFRS 9 Financial Instruments requires certain classes of financial assets to be impaired based on expected credit losses. We annually review the level of expected credit losses and assess the material impact. Due to the type of financial assets held by the Council, the risk of impairment is low and would attract minimal losses. Based on this, we are not accounting for impairment losses except for Trade Receivables. Trade Receivables are impaired on a simplified approach.
Schools accounting	The Code specifies that, under accounting definitions, local authority maintained schools (community, foundation, voluntary aided and voluntary controlled, but not academies or free schools) are separate entities under the control of local authorities for financial reporting purposes and meet the criteria for producing group accounts. However, in order to simplify the consolidation process and to avoid consolidating a considerable number of smaller entities the Code of Practice also confirms that the definition of the single entity financial statements includes all transactions of local authority schools (income, expenditure, assets, liabilities, reserves and cash flows) so instead of being consolidated in group accounts they are consolidated in the main council accounts. The school as an entity means the management of the school i.e. the governing body, including the head teacher, and the resources it controls rather than the physical fabric of the buildings and grounds. Whether the school as an entity includes the premises and land that the schools operate from will depend on whether these assets are controlled by the school management using the relevant recognition tests for non-current assets included in the Code.

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

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

The items in the council's Balance Sheet at 31 March 2024 for which significant assumptions have been made are set out in the table that follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment	Asset valuations are based on estimates and assumptions at a point in time but market conditions can fluctuate. Market prices are periodically reviewed to ensure that the Council does not materially misstate its non-current assets.	The Council's Property, Plant and Equipment (PPE) are held on a long-term basis and require regular valuation to ensure the Council's financial statements accurately reflect the true worth of its assets. Valuations are undertaken by qualified professionals to provide up to date assessments using accepted valuation bases and methods. However, if assumptions within the methodology do not materialise then there could be a material impact on the value of land and buildings. The council carries out a rolling programme that ensures that all Land and Buildings required to be measured at current value is revalued at least every five years. A movement of 1% in PPE valuations would result in a change in asset value of £14.3m and a change in depreciation charge c£0.5m in the Comprehensive Income and Expenditure Statement.
Fair value measurements	Surplus and Investment Properties cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), so their fair value is measured using income, market, or cost approach valuation techniques. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible unobservable inputs, which require judgement, are used to establish fair values. The significant unobservable inputs used in the fair value measurement include assumptions regarding passing rents and yields, estimated sale values, revenue streams and discount rates.	Sizable changes in any of the unobservable inputs would result in a significant lower or higher fair value measurement for those assets held at fair value. Investment properties are valued using comparable land values, rent/yield basis of deferred market value. A 1% reduction in market rents or house prices and land values would reduce the Investment Property Valuations by £0.8m. A 10% reduction in prices and land values would reduce them by £7.5m. Surplus properties are valued using comparable land values, residual site values and rent/yield basis. A 1% reduction in land values would reduce the surplus property valuations by £0.3m. A 10% reduction would reduce them by £2.7m. A 1% reduction Plant and Machinery would reduce the surplus property valuations by £0.7m. A 10% reduction would reduce them by £6.6m.

	Information about valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities is disclosed in notes 16 and 38.	
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a decrease of 0.5% in the real discount rate would result in an increase in the pension liability of £230m for the LGPS and £44m for the firefighters' pension fund. Accounting standard IAS19 requires the liabilities to be valued using assumptions based on gilt and corporate bonds yields. Asset performance being better than expected over the year has led to a decrease in pension deficit.

Note 6: Events after the balance sheet date

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

Note 7: Material items of income and expenditure

Included in the Comprehensive Income and Expenditure Statement (CIES) is a derecognition charge of £58.5m related to the derecognition of academy schools (£25.2m in 2022/23). When a school changes status to an academy, the ownership of the land and buildings transfers from the Council to the school. The assets are written out of the balance sheet and an accounting adjustment is made in the CIES. During 2023/24, 12 schools transferred to academy status (13 in 2022/23).

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

This note sets out the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the 2023/24 financial year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

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

Capital Receipts Reserve

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

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

Capital Grants Unapplied

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

2023/24

	General Fund and Earmarked Reserves £000	Capital Receipts Reserve £000	Capital grant & contributions unapplied reserve £000
Adjustments to the Revenue Resources			
Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:			
Pension costs (transferred to Pension Reserve)	(29,703)		
DSG Deficit (transferred to DSG Adjustment Account)	(16,890)		
Council tax and Business rates (transfers to Collection Fund)	(11,868)		
Holiday pay (transferred to the Accumulated Absences Reserve)	(1,190)		
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):			
Charges for depreciation and impairment of non-current assets	(126,750)		
Revaluation loss on property, plant & equipment	(47,026)		
Other movements in valuation on property, plant and equipment:			
Movement on fair value on investment property	(16,426)		
Impairment in fair value adjustment - IFRS 9 (note 17A)	(16,098)		
Disposal of academies	(58,453)		
Revenue expenditure funded from capital under statute	(46,590)		
Re-instate PFI asset	16,939		

2023/24 (Cont)

	General Fund and Earmarked Reserves	Capital Receipts Reserve	Capital grant & contributions unapplied reserve
Deferred Income in respect of PFI schemes	1,264		
PPE Disposal Proceeds	20,215		
Carrying Amount of PPE Disposals	(14,503)		
Capital grants & contributions unapplied credited to the Comprehensive Income & Expenditure Account	105,957		(105,957)
Total Adjustments to the Revenue Resources	**(241,122)**		**(105,957)**
Adjustments between Revenue & Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve		(20,215)	
Transfer to Deferred Capital Receipts Reserve	19,695		
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	32,986		
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	5,721		
Total Adjustments between Revenue & Capital Resources	**58,402**	**(20,215)**	**-**
Adjustments to Capital Resources			
Application of capital grants to finance capital expenditure			92,404
Application of capital receipts to reduce capital financing requirement		45,288	
Total Adjustments to capital resources	**-**	**45,288**	**92,904**
Total Adjustments	**(182,720)**	**25,073**	**(13,554)**

2022/23

	❷General Fund and Earmarked Reserves £000	❷Capital Receipts Reserve £000	Capital grant & contributions unapplied reserve £000
Adjustments to the Revenue Resources			
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:			
Pension costs (transferred to Pension Reserve)	(129,066)		
DSG Deficit (transferred to DSG Adjustment Account)	-		
Council tax and business rates (transfers to Collection Fund)	20,569		
Holiday pay (transferred to the Accumulated Absences Reserve)	(238)		
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):			
Charges for depreciation and impairment of non-current assets	(107,260)		

2023/23 (Cont)	❷General Fund and Earmarked Reserves £000	❷Capital Receipts Reserve	Capital grant & contributions unapplied reserve
❹Revaluation gain on property, plant & equipment	(22,641)	£000	£000
Other movements in valuation on property, plant and equipment:			
Movement on fair value on investment property	(12,311)		
Amortisation of intangible assets	(1,225)		
❸Impairment in fair value adjustment - IFRS 9	(11,410)		
Disposal of academies	(14,302)		
Revenue expenditure funded from capital under statute	(29,995)		
Deferred Income in respect of PFI schemes	1,123		
PPE Disposal Proceeds	60,495		
Carrying Amount of PPE Disposals	(48,992)		
Capital grants & contributions unapplied credited to the Comprehensive Income & Expenditure Account	124,642		(124,642)
❸Total Adjustments to the Revenue Resources	**(170,608)**		**(124,642)**
Adjustments between Revenue & Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve		(60,495)	
❷❹Transfer from Deferred Capital Receipts Reserve	(18,747)		
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	29,642		
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	5,790		
❷Total Adjustments between Revenue & Capital Resources	**16,685**	**(60,495)**	
Adjustments to Capital Resources			
Application of capital grants to finance capital expenditure			91,197
Application of capital receipts to reduce capital financing requirement		25,554	0
Total Adjustments to capital resources	**-**	**25,554**	**91,197**
❷❸ Total Adjustments	**(153,923)**	**(34,942)**	**(33,445)**

❷❸❹See Note 44: Prior year restatements outline the original disclosure and adjustment.

Note 9: Transfers to / from earmarked reserves

This note sets out the amounts set aside from the General Fund balance in earmarked reserves, to provide financing for future expenditure plans, commitments and possible liabilities and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2023/24.

	Balance at 31/03/22 £000	Transfers In £000	Transfers Out £000	**Balance at 31/03/23 £000**	Transfers In £000	Transfers Out £000	**Balance at 31/03/24 £000**
Budget equalisation reserve	**103,329**	18,718	(31,435)	**90,612**	675	(16,965)	**74,323**
Business rate appeals	**28,602**			**28,602**			**28,602**
Eco park sinking fund	**22,141**		(2,204)	**19,937**		(468)	**19,469**
Economic downturn reserve	**11,744**			**11,744**			**11,744**
Revolving infrastructure & investment fund	**11,139**			**11,139**			**11,139**
Insurance reserve	**9,256**	725	(1,175)	**8,806**	810	(1,040)	**8,575**
General capital reserve	**7,487**	135	(2,383)	**5,239**	148	0	**5,387**
Investment renewals (Invest to Save) reserve	**5,011**			**5,011**	8	0	**5,020**
Equipment replacement reserve	**3,450**	233	(900)	**2,783**	7	(1,009)	**1,782**
Interest rate reserve	**1,600**			**1,600**			**1,600**
Transformation reserve	**3,068**	15,000	(10,333)	**7,735**	0	(6,905)	**830**
CFLC inspection and system improvements	**256**	32	(117)	**171**	0	(111)	**61**
COVID reserve	**5,858**		(5,358)	**500**	0	(500)	**0**
Streetlighting reserve	**1,191**		(636)	**555**	0	(555)	**0**
Total general fund reserves	**214,132**	**34,843**	**(54,541)**	**194,434**	**1,649**	**(27,552)**	**168,532**
Schools balances	52,154	8,859	(11,570)	49,443	6,128	(3,434)	52,137
SEND High Needs Block	118,404	25,599		144,003			144,003
Total school reserves	**170,558**	**34,458**	**(11,570)**	**193,446**	**6,128**	**(3,434)**	**196,140**
Revenue grants unapplied	28,208	962,690	(936,308)	54,590	881,483	(872,858)	63,215
Total earmarked reserves	**412,898**	**1,031,991**	**(1,002,419)**	**442,470**	**889,260**	**(903,844)**	**427,888**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Note 10: Other operating income and expenditure

Restated Net Expenditure 2022/23 £000		Gross Expenditure 2023/24 £000	Income 2023/24 £000	Net Expenditure 2023/24 £000
1,322	Land Drainage Precept	1,191	-	1,191
303	Contributions from Trading Services	21,185	(22,085)	(899)
2,796	(Gain) or Loss on disposal of non-current assets	26	(19,682)	(19,656)
-	Disposal charge for the derecognition of schools that transfer to Academy status	58,453	-	58,453
4,422		**80,856**	**(41,767)**	**39,089**

Note 11: Financing and investment income and expenditure

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

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

Restated Net Expenditure 2022/23 £000		Gross Expenditure 2023/24 £000	Income 2023/24 £000	Net Expenditure 2023/24 £000
29,372	Interest payable and similar charges	33,835	-	33,835
51,981	Net interest on the net defined benefit liability (Note 39)	33,153	-	33,153
81,353	**Interest expenses**	**66,988**		**66,988**
(18,354)	Interest receivable and similar income	-	(17,193)	(17,193)
-	Net losses on financial assets at fair value through profit and loss	-	(1,507)	(1,507)
11,410	❸ Impairment at cost subsidiary - IAS 36 (Note 17A, 17B)	16,882	-	16,882
-	❸ Impairment in fair value adjustment - IFRS 9 (Note 17A, 17C)	(1,000)	-	(1,000)
9,033	Income & expenditure in relation to investment properties (Note 14)	18,258	(4,742)	13,516
25,201	Disposal charge for the derecognition of schools that transfer to Academy status	-		-
108,643		**101,128**	**(23,442)**	**77,686**

❸See Note 44: Prior year restatements outline the original disclosure and adjustment.

Note 12: Council tax and general grants & contributions

2022/23 £000		2023/24 £000
	Local taxation:	
(844,052)	- Council tax income	(865,417)
(107,471)	- Business rate income	(111,683)
(951,523)	Income from council tax, non-domestic rates, district rate income	(977,100)
	Grants and contributions:	
(97,841)	- Non ring-fenced government grants (note 32)	(95,828)
(100,589)	- Capital grants and contributions (note 32)	(78,359)
(1,149,953)		**(1,151,287)**

Note 13: Property, plant & equipment

Movement on balances	**Restated 31 March 2023 £000**	**31 March 2024 £000**
❹ Property, Plant and Equipment assets	1,546,646	1,516,628
Infrastructure Assets	500,999	574,628
Total	**2,047,644**	**2,090,749**

Cost	Land and Buildings £000	Vehicle, Plant and Equipment £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property Plant & Equipment £000
❹ Restated Balance at 1 April 23	**1,476,943**	**146,983**	**8,402**	**33,922**	**37,754**	**1,704,004**
Additions*	86,684	54,698	1,827	85	13,247	**156,541**
Revaluations increases recognised in the Revaluation Reserve	63,499	-	-	8,725	-	**72,224**
Revaluations decreases recognised in the Revaluation Reserve	(80,518)	-	-	(5,739)	-	**(86,257)**
Revaluation increases (reversal of previous losses) recognised in the deficit on the CIES	4,096	-	-	150	-	**4,246**
Revaluation decreases recognised in the deficit on CIES	(35,027)	(20,039)	-	(1,617)	-	**(56,682)**
Transfers between asset classes	450	(24,153)	(125)	(8,542)	(2,098)	**(34,467)**
Derecognition & Disposals	(0)	(4,051)	(419)	-	-	**(4,471)**
Derecognition - Academies	(62,381)	(405)	-	-	-	**(62,786)**
At 31 March 2024	**1,453,746**	**153,033**	**9,684**	**26,985**	**48,903**	**1,692,352**
Accumulated Depreciation and Impairment						
at 1 April 2023	**(95,788)**	**(61,507)**	**-**	**(31)**	**(32)**	**(157,358)**
Depreciation charge	(47,141)	(12,244)	-	(6,313)	-	**(65,698)**
Revaluation losses in the in the CIES	415	1,972	-	28	-	**2,414**
Revaluation increases in the CIES	6,697	-	-	165	-	**6,862**
Depreciation written out to the Revaluation reserve	20,522	-	-	132	-	**20,653**
Trans between asset classes	809	2,696	-	5,034	-	**8,538**
Derecognition - Disposals	-	4,024	-	-	-	**4,024**
Derecognition - Academies	4,009	324	-	-	-	**4,333**
At 31 March 2024	**(110,477)**	**(64,735)**	**-**	**(986)**	**(32)**	**(176,231)**
Net Book Value						
at 31 March 2023	1,381,155	85,476	8,402	33,891	37,722	1,546,646
at 31 March 2024	**1,343,269**	**88,298**	**9,684**	**25,999**	**48,871**	**1,516,121**

Cost	Land and Buildings❹ £000	Vehicle, Plant and Equipment £000	Community Assets £000	Surplus Assets❹ £000	Assets Under Construction £000	Total Property Plant & Equipment❹ £000
❹ Balance at 1 April 2022	**1,402,720**	**126,424**	**7,704**	**35,379**	**21,085**	**1,593,312**
Additions*	49,324	19,232	698	785	21,535	**91,574**
Revaluations increases recognised in the Revaluation Reserve	120,218	-	-	17,933	-	**138,151**
Revaluations decreases recognised in the Revaluation Reserve	(53,413)	-	-	(5,588)	-	**(59,001)**
Revaluation increases (reversal of previous losses) recognised in the deficit on the CIES	5,416	-	-	1,609	-	**7,025**
Revaluation decreases recognised in the deficit on CIES	(21,944)	-	-	(4,753)	-	**(26,697)**
Transfers between asset classes	8,768	2,258	-	(11,443)	(4,898)	**(5,315)**
Derecognition & Disposals	(6,716)	(931)	-	-	32	**(7,615)**
Derecognition - Academies	(27,430)	-	-	-	-	**(27,430)**
At 31 March 2023	**1,476,943**	**146,983**	**8,402**	**33,922**	**37,754**	**1,704,004**
Accumulated Depreciation and Impairment						
At 1 April 2022	**(65,115)**	**(52,045)**	**-**	**(6)**	**-**	**(117,166)**
Depreciation charge	(45,345)	(9,911)	-	(29)	-	**(55,285)**
Impairment	-	-	-	-	-	**-**
Depreciation written out to the Revaluation Reserve	12,905	-	-	4	-	**12,909**
Transfer between asset classes	-	-	-	-	-	**-**
Derecognition - Disposals	(462)	449	-	-	(32)	**(45)**
Derecognition - Academies	2,229	-	-	-	-	**2,229**
At 31 March 2023	**(95,788)**	**(61,507)**	**-**	**(31)**	**(32)**	**(157,358)**
Net Book Value						
At 31 March 2022	**1,337,605**	**74,379**	**7,704**	**35,373**	**21,085**	**1,476,146**
At 31 March 2023	**1,381,155**	**85,476**	**8,402**	**33,891**	**37,722**	**1,546,646**

* These amounts include assets acquired under PFI schemes (see note 36), but excludes £46m revenue expenditure funded from capital under statute (£30m in 2022/23).

❹ See Note 44: Prior year restatements outline the original disclosure and adjustment.

INFRASTRUCTURE ASSETS

Movement on balances		2022/23	2023/24
		£000	£000
Net Book Value (Modified Historical Cost)	**At 1 April**	**470,898**	**500,998**
	Additions	79,708	132,162
	Transfers in	2,238	-
	Depreciation	(51,846)	(58,533)
	Impairment	-	-
Other movements in cost		**30,100**	**73,629**
Net Book Value	**At 31 March**	**500,998**	**574,628**

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

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

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

Revaluations

The council carries out a rolling programme that ensures that all Land and Buildings, except a small proportion of the portfolio for school's tied accommodation, required to be measured at current value is revalued at least every five years. Valuations of land and buildings were carried out by Montagu Evans, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors, and are the best estimate of the assets' values at 31 March 2024.

		Land and Buildings	Surplus assets
		£000	£000
Carried at current value not valued in the last 5 years		23,834	1,364
Carried at current value. Last revalued as at:	31-Mar-20	187,223	-
	31-Mar-21	384,622	-
	31-Mar-22	227,575	-
	31-Mar-23	269,050	-
	31-Mar-24	250,966	24,635
Total		**1,343,269**	**26,000**

Revaluation changes

During 2023/24 the Council has recognised a net revaluation loss of £57.2m (£70.0m during 2022/23) in total across all PPE classes. The result was a revaluation loss of £63.5m (£19.6m in 2022/23) charged to the Comprehensive Income and Expenditure Statement, and a £6.3m gain (£89.6m in 2022/23) offset from the balance in the revaluation reserve in relation to these assets. The majority of land and building assets are revalued based on existing use value, as part of the five-year rolling programme by external valuers. Schools buildings and fire stations are re-valued at depreciated replacement cost.

The fair value hierarchy of surplus assets at 31 March are as follows:	Quoted markets in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Total £000
Recurring fair value measurements using:				
Surplus assets (NBV) at 31 March 2024	-	13,250	11,385	**24,635**
Surplus assets (NBV) at 31 March 2023	-	27,323	6,635	**33,958**

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

Capital commitments

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

Description/Project	**Total at 31st March 2023 £m**	**Total at 31st March 2024 £m**
Schools:		
Schools Basic Need/SEND	12.6	-
Schools Maintenance	1.7	-
Environment, Transport & Infrastructure:		
Highway/Structural Maintenance Schemes	10.0	28.2
Environment, Highways & Infrastructure Capital other schemes	6.1	10.1
Surrey Fire & Rescue:		
Fire Service schemes	-	0.9
Purchase of New Fire Appliances	2.2	
Resources:		
Digital Business	-	1.6
Unicorn WAN/WiFi services	3.5	-
Decarbonisation Schemes	2.9	-
Corporate Capital Maintenance	2.7	-
DB&I Project – Unit 4	1.2	-
Cultural Services		0.3
Other schemes:		
Other Services schemes (Children, Families, and Lifelong learning and Customer Services)	-	0.1
Total	**42.9**	**41.2**

Note 14: Investment properties

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

2022/23		2023/24
£000		£000
4,773	Rental income from investment property	4,742
(1,415)	Direct operating expenses arising from investment property	(1,832)
3,358	**Net gain**	**2,910**
3,935	Gain on sale of investment property	1,507
(12,391)	Net (loss) on fair value adjustments	(16,429)
(5,098)	**Income & expenditure in relation to investment properties**	**(12,009)**

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

2022/23		2023/24	Offices	Retail	Other
£000		£000	£000	£000	£000
131,240	Balance at start of the year	**91,385**	**85,965**	**3,110**	**2,310**
9	Additions	**321**	321		
-	Transfers	**770**	770		
27	Reclassification	**845**			845
(27,500)	Disposals	**(1,665)**			(1,665)
(12,391)	Net gain/(loss) from fair value adjustments*	**(16,426)**	(16,326)	55	(155)
91,385	**Balance at end of the year**	**75,230**	**70,730**	**3,165**	**1,335**

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

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

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

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

Recurring fair value measurements using:	Significant unobservable inputs (Level 3) £000	**Fair value as at 31 March 2024 £000**
Residential (market rental) properties	-	-
Office units	70,730	70,730
Commercial units	4,500	4,500
Total	**75,230**	**75,230**

Recurring fair value measurements using:	Significant unobservable inputs (Level 3) £000	**Fair value as at 31 March 2023 £000**
Residential (market rental) properties	1,490	**1,490**
Office units	87,884	**87,884**
Commercial units	2,010	**2,010**
Total	91,384	**91,384**

There are no quoted markets in active markets for identical assets (Level 1) or other significant observable inputs (Level 2)

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

Note 15: Intangibles assets

2022/23 £000		2023/24 £000
23,162	Gross carrying amount at 1 April	24,138
976	Additions	9
-	Transfers from Vehicle, Plant & Equipment	24,153
24,138	Gross carrying value at 31 March	48,299
(19,575)	Amortisation at 1 April	(20,800)
(1,225)	Amortisation for the period	(1,624)
-	Transfers from Vehicle, Plant & Equipment	(2,696)
(20,800)	**Amortisation at 31 March**	(25,120)
3,587	**Net book value at 1 April**	**3,337**
3,337	**Net book value at 31 March**	**23,179**

Note 16: Foundation, voluntary aided and voluntary controlled schools and academies

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

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

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

Foundation

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

Voluntary aided

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

Voluntary controlled

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

Academies

During 2023/24, 12 schools had transferred to academy status. 5 were Community Schools, 3 were Aided Schools, 1 were Foundation Schools and 3 was Voluntary Controlled. Academy schools are owned and managed completely independently of the local authority and therefore the non-current assets have been excluded from this balance sheet.

Note 17A: Financial instruments – Categories of financial instruments

Categories of financial instruments

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

❸ Restated 31 March 2023	Financial Assets	31 March 2024
£000	**Fair value through profit or loss**	**£000**
-	Long term investments	-
96,500	Cash and cash equivalents	41,000
96,500	**Total**	**41,000**
£000	**Amortised cost**	**£000**
47,781	❸ Long term investments	30,673
241,740	❸ Long term debtors	242,595
167,366	Short term debtors	166,043
10,469	Cash and cash equivalents	12,673
467,356	❸ **Total**	**451,984**
563,856	❸ **Total financial assets**	492,984
111,073	**Non-financial assets**	108,802
674,929	❸ **Total**	**601,786**

31 March 2023	Financial Liabilities	31 March 2024
£000	**Amortised Cost**	**£000**
(477,762)	Long term borrowings	(471,738)
(173,810)	Short term borrowings	(295,161)
(151,341)	Short term creditors	(195,124)
(75,349)	PFI, lease	(88,353)
(6,197)	Other 3rd party balances	(5,908)
(884,459)	**Total financial liabilities**	**(1,056,282)**
(170,677)	Non-financial liabilities	(133,736)
(1,055,136)	**Total**	**(1,190,018)**

❸ Note 44 – Restatements provides details on the reasoning, original and restatement figures.

The Council does not hold any financial liabilities measured at fair value through profit or loss.

Investments in Equity Instruments Designated at Fair Value through Other Comprehensive Income
No financial assets or liabilities were classed as fair value through other comprehensive income.

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

Income, Expense, Gains and Losses

	❸ Restated 2022/23 (Surplus) / Deficit on the Provision of Services £000	2023/24 (Surplus) / Deficit on the Provision of Services £000
Net (gains)/ losses on:		
❸ Financial assets measured at fair value through profit and loss – fair value	11,410	16,883
Interest revenue:		
Financial assets measured at amortised cost	(18,015)	(20,767)
Interest expense:		
Financial assets measured at amortised cost	29,372	33,835

❸ Note 44 – Restatements provides details on the reasoning, original and restatement figures

Fair Value
Basis for recurring fair value measurements:

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

Fair Value of Financial Assets

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

Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	As at 31/3/23 £000	As at 31/3/24 £000
Fair Value through Profit or Loss				
Cash (Money Market Funds)	Level 1	Unadjusted quoted prices in active markets for identical shares	96,500	41,000

Transfers between Levels of the Fair Value Hierarchy
There were no transfers between levels 1 and 2 during the year.

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

Reconciliation of Fair Value Measurements for Financial Assets Carried at Fair Value Categorised within Level 3 of the Fair Value Hierarchy for Financial Assets
There were no instruments, measured at fair value, that were at level 3 in the hierarchy.

Fair Values of Financial Assets and Financial Liabilities that are not measured at fair value but for which fair value disclosures are required
Except for the financial assets carried at fair value, all other financial liabilities and financial assets represented by amortised cost and long-term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

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

The fair values calculated are as follows:

Financial Liabilities	**31 March 2023**		**31 March 2024**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
	£000	**£000**	**£000**	**£000**
Long Term borrowings - PWLB	(456,182)	(382,446)	(451,016)	(383,167)
Long Term borrowings – Other	(24,237)	(21,080)	(20,722)	(20,439)
Short Term borrowings	(171,152)	(171,152)	(295,161)	(295,161)
Short Term creditors	(151,341)	(151,341)	(195,124)	(195,124)
PFI, Lease	(75,349)	(88,013)	(88,353)	(77,801)
Other 3rd party balances	(6,197)	(6,197)	(5,906)	(5,906)
Total	**(884,459)**	**(820,228)**	**(1,056,282)**	**(977,597)**

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

Financial Assets	❸ Restated 31 March 2023		31 March 2024	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
❸ Long Term Investments	47,781	47,781	30,673	30,673
❸ Long Term Debtors	241,740	214,161	242,595	223,173
Short Term Debtors	167,366	167,366	166,043	166,043
Cash and Cash Equivalents	10,469	10,469	12,673	12,673
Total	**467,356**	**439,777**	**451,984**	**432,562**

❸ Note 44 – Restatements provides details on the reasoning, original and restatement figures.

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

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

Recurring fair value measurements using:	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Total £000
Financial liabilities			
Long Term borrowings	(403,606)		(403,606)
Short Term borrowings	(295,161)		(295,161)
Short Term creditors	(195,124)		(195,124)
PFI, Lease		(77,801)	(77,801)
Other 3rd party balances	(5,906)		(5,906)
Total	**(899,796)**	**(77,801)**	**(977,597)**
Financial assets			
Long Term investments		30,673	30,673
Long Term debtors	223,173		223,173
Short Term debtors	166,043		166,043
Cash and Cash equivalents	12,673		12,673
Total	**401,889**	**30,673**	**432,562**

The Council does not have any quoted prices in active markets for identical assets (Level 1) assets.

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

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

Financial Assets

- average rate of interest at 31 March 2024 of 5.27% for loans receivable, based on new lending rates for equivalent loans at that date;
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

Financial Liabilities

- no early repayment is recognised;
- average rate of interest rates at 31 March 2024 of 6.22% for loans payable based on new lending rates for equivalent.

Note 17B – Long Term investments and debtors

Long term Investments:	Halsey Garton Properties Ltd	Halsey Garton Residential Ltd	Other Investments	Total
	£'000	£'000	£'000	£'000
Original Investment	92,686	4,087	488	97,261
Impairment	(66,138)		(450)	(66,588)
Carrying value	**26,548**	**4,087**	**38**	**30,673**
Carrying value as at 31 March 2023	43,431	4,087	262	47,781
Impairment	(16,883)		(224)	(17,107)
Carrying value as at 31 March 2024	**26,548**	**4,087**	**38**	**30,673**

Long term debtors:	Halsey Garton Properties Ltd	Halsey Garton Residential Ltd	Surrey Choices Ltd	Other loans	Total
	£'000	£'000	£'000	£'000	£'000
Original principal	239,862	1,293	2,800	346	244,300
Repayment		(137)	(1,155)		(1,292)
Residual principal	239,862	1,156	1,645	346	243,008
Impairment	(3,034)				(3,034)
Carrying value	**236,828**	**1,156**	**1,645**	**346**	**239,973**
Carrying value as at 31 March 2023	238,437	1,207	1,750	346	241,740
Repayment		(51)	(105)		(156)
Reversal of Impairment	1,012				1,012
Carrying value as at 31 March 2024	**239,449**	**1,156**	**1,645**	**346**	**242,596**

The council wholly owns the following companies :

- Halsey Garton Property Ltd is wholly owned subsidiary property investment company. As at 31 March 2024 the company owed SCC £240m in long term loans and equity of £93m.
- Halsey Garton Residential Ltd is a wholly owned subsidiary company set up for the letting and operating of own or leased rental estate. As at 31 March 2024 the company owed SCC £1.2m in long term loans and equity of £4.1m.
- Surrey Choices Ltd was set up for the delivery of day services and community support options for people with disabilities and older people. As at 31 March 2024 the company owed SCC £1.6m in long term loans and has £100 equity.

The long term investment and debtors have been impaired reflecting the IFRS 9 accounting treatment.

Note 17C: Financial Instruments - Nature and extent of risks arising from Financial Instruments

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

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

Overall procedures for managing risk

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

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

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

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

The annual treasury management strategy which incorporates the prudential indicators was approved by Audit and Governance Committee on 18th January 2023 and is available on the Council website.

The key issues within the strategy were:

- The Authorised Limit for 2023/24 was set at £1,402m. This is the maximum limit of external borrowings or other long-term liabilities;
- The Operational Boundary was set at £1,232m. This is the expected level of debt and other long-term liabilities during the year;
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 25% based on the Council's net debt;
- The maximum and minimum exposures to the maturity structure of debt.

Risk management is carried out by a central treasury team, under policies approved by the Council in the annual treasury management strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

Credit Risk

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

Credit Risk Management Practices

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

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

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

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

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

The full Investment Strategy for 2023/24 was approved by Full Council on 7th February 2023 and is available on the Council's website.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

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

A risk of irrecoverability applies to all of the Council’s deposits, but there was no evidence at the 31 March 2024 that this was likely to crystallise.

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

	❸ 12 Month ECL	Lifetime ECL	Lifetime ECL – Simplified Approach	Total
	£000	**£000**	**£000**	**£000**
❸ Restated Opening balance 1 April 2023	1,623	-	11,368	12,991
Change in credit loss	(1,010)	-	428	(582)
Closing balance 31 March 2024	**613**	**-**	**11,796**	**12,409**

❸ Note 44 – Restatements provides details on the reasoning, original and restatement figures.

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

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

Credit Risk Exposure
The following tables summarise the Council’s potential credit risk exposure:

	2022/23	2023/24
	£000	**£000**
Short term investments		
Money Market Funds rated A-and above	96,500	41,000
Total	**96,500**	**41,000**
Long term investments and debtors		
Companies not subject to credit rating	286,899	270,646
Total	**286,899**	**270,646**

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

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

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

	❸ Restatement 31 March 2023 £000	**31 March 2024 £000**
❸ Less than one year	274,335	219,716
Between one and five years		
❸ More than five years	286,899	270,646
❸ Total	561,234	490,362

❸ Note 44 – Restatements provides details on the reasoning, original and restatement figures

Refinancing and Maturity risk

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

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

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

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

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

	Approved Minimum Limit %	**Approved Maximum Limit %**	**31 March 2023 %**	**31 March 2024 %**
Less than one year	0%	60%	26%	47%
Between one and two years	0%	50%	0%	2%
Between two and five years	0%	50%	2%	4%
Between five and ten years	0%	75%	13%	8%
More than ten years	25%	100%	59%	39%

Market risk

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

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

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the CIES.

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

Price risk

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

Foreign exchange risk

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

Note 18: Short term debtors

31st March 2023 £000		31st March 2024 £000
11,165	HMRC debtors	29,530
51,279	Accounts receivable debtors	48,121
48,874	Collection Fund debtors	44,214
25,403	Adult Social Care debtors	29,889
27,566	Payments in advance	25,604
90,684	Other debtors	88,033
254,971	Total	**265,391**

Note 19: Cash and cash equivalents

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

31st March 2023 £000		31st March 2024 £000
10,469	General account	12,673
96,500	Money market funds	41,000
106,969	**Total cash and cash equivalents**	**53,673**

Note 20: Assets held for sale

31st March 2023 £000		31st March 2024 £000
27,714	**Balance outstanding at 1 April**	22,286
	Assets newly classified as held for sale:	
3,050	Property, plant and equipment	14,004
-	Assets de-classifieds as held for sale	(9,474)
161	Revaluation gain	8,157
(5,709)	Revaluation loss	(14,132)
(2,930)	Assets sold	(12,313)
-	Accumulated depreciation	(17)
22,286	**Balance outstanding at 31 March**	**8,511**

Note 21: Creditors

31st March 2023 £000		31st March 2024 £000
(23,070)	HMRC Creditors	(8,204)
(20,930)	Accounts Payable Creditors	(30,210)
(29,936)	Collection Fund Creditors	(35,713)
(76,734)	Receipts in Advance	(31,418)
(142,640)	Other Creditors	(181,334)
(293,310)	**Total**	**(286,879)**

Note 22: Provisions

	Business Rates Appeals £000	Insurance Liabilities £000	Other Provisions £000	Total Provisions £000
Balance at 1 April 2023	5,257	6,347	2,651	**14,255**
Additional provisions made in 2023/24	-	-	-	-
Amounts used in 2023/24	-	(1,295)	-	**(1,295)**
Unused amounts reversed in 2023/24	(991)	-	(149)	**(1,139)**
Balance at 31 March 2024	**4,266**	**5,052**	**2,502**	**11,821**
Current provisions	-	-	2,502	**2,502**
Non-current provisions	4,266	5,052	-	**9,319**
	4,266	**5,052**	**2,502**	**11,821**

	Business Rates Appeals £000	Insurance Liabilities £000	Other Provisions £000	Total Provisions £000
Balance at 1 April 2022	6,674	6,348	3,480	**16,502**
Additional provisions made in 2022/23	-	2,156	-	2,156
Amounts used in 2022/23	(1,417)	(2,157)	(829)	(4,403)
Balance at 31 March 2023	5,257	6,347	2,651	**14,255**
Current provisions	-	-	2,651	2,651
Non-current provisions	5,257	6,347	-	11,604
	5,257	**6347**	**2,651**	**14,255**

Business rates

Since the introduction of Business Rates Retention Scheme, local authorities have been liable for successful appeals against business rates charged to businesses in their proportionate share. Therefore, a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2024. The council's provision for the business rates appeals is based on our share of the provision calculated by each of the 11 borough and district councils in Surrey.

Insurance

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

Other provisions

A number of other smaller provisions have been identified.

Note 23: Usable reserves

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

	❷ Restated balance 31 March 2023	Transfers In	Out	Balance at 31 March 2024
	£000	£000	£000	£000
❷ General Fund	49,072	14,582	(14,591)	49,063
Earmarked Reserves	442,470	889,260	(903,844)	427,888
Revenue	491,542	903,842	(918,435)	476,950
Capital Government Grant Reserve	222,629	183,026	(169,472)	236,183
❷ Capital Receipts	35,724	26,767	(51,840)	10,651
Capital	258,353	209,793	(221,312)	246,834
Total	**749,895**	**1,113,636**	**(1,139,747)**	**723,784**

❷ See Note 44: Prior year restatements outline the original disclosure and adjustment.

Note 24: Unusable reserves

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

Restated 31st March 2023 £000		31st March 2024 £000
(690,947)	❹ Revaluation Reserve	(622,279)
(381,203)	❸❹ Capital Adjustment Account	(324,917)
-	Deferred Capital Receipts	(19,695)
18	Financial Instruments Adjustment Account	19
700,599	Pensions Reserve	475,396
(16,102)	Collection Fund Adjustment Account	(4,235)
62,635	DSG Adjustment Account	79,525
12,229	Accumulated Absences Account	13,419
(312,771)		**(402,767)**

Revaluation Reserve

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

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

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

	Restated 31st March 2023			31st March 2024
£000	£000		£000	£000
	(640,699)	**Balance at 1 April**		**(690,947)**
(89,612)		Upward revaluation of assets	(6,291)	
	(89,612)	Surplus or deficit on revaluation of non-current assets not posted to the surplus or deficit on the Provision of Services		(6,291)
22,167		Difference between fair value depreciation and historical cost depreciation	29,995	
17,197		Accumulated gains on assets sold or scrapped	44,964	
	39,364	Amount written off to the Capital Adjustment Account		74,959
	(690,947)	**Balance at 31 March**		**(622,279)**

Capital Adjustment Account

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

Restated 2022/23 £000			2023/24 £000
(436,672)	❸ **Balance at 1 April**		**(381,206)**
	Reversal of items relating to capex debited or credited to the CIES		
107,260	Depreciation and impairment	125,130	
22,641	Revaluation losses/(gains) on Property, plant & equipment	47,026	
12,311	Movements in the market value of investment properties debited or credited to CIES	16,426	
1,225	Amortisation of intangible assets	1,624	
11,410	❸Impairment in fair value adjustment - IFRS 9	16,098	
29,995	Revenue expenditure funded from capital under statute (REFCUS)	46,590	
-	Re-instate PFI asset	(16,939)	
(1,123)	Deferred income	(1,264)	
62,855	Disposal or derecognition amounts from CIES	72,956	
246,574	❸Reversal of items relating to capex debited or credited to the CIES		**307,647**
(39,364)	**Adjusting amount written out of the revaluation reserve**		**(74,959)**
207,210	❸Net written out of cost of non current assets consumed in the year		**232,688**
	Capital financing applied in the year		
(25,554)	Capital receipts	(45,288)	
-	Capital grants and contributions credited to CIES used for capital financing	-	
(91,197)	Grant funding from the Capital Grants Unapplied Account	(92,404)	
(29,642)	Minimum Revenue Provision (MRP)	(32,986)	
(5,790)	Capital expenditure charged against the General Fund (Revenue contribution to capital outlay - RCCOs)	(5,721)	
439	Other movements - repayment of capital loans	-	
(151,744)			**(176,399)**
(381,206)	❸ **Balance at 31 March**		**(324,917)**

Financial Instrument Adjustment account

The Financial Instruments Adjustment account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The balance on the financial instrument adjustment account at the 31 March 2024 is for the loss of interest on a soft loan issued by the Council in 2007/08 to Painshill Park Trust Ltd. There were no movements during 2023/24.

Deferred Capital Receipts Account

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

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as benefits are earned by employees through accruing years of service. Liabilities recognised on the Balance Sheet are updated to reflect inflation, changed assumptions and investment returns on any resources set aside to meet the costs. Statutory arrangements require benefits earned to be financed as the Council makes employer contributions to pension funds or when it eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2022/23 £000		2023/24 £000
1,887,167	**Balance at 1 April**	**700,599**
(1,315,634)	Actuarial (gains)	(254,906)
219,334	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	105,416
(90,268)	Employer's pensions contributions and direct payments to pensioners payable in the year	(75,443)
(1,186,568)	Movement	(225,203)
700,599	**Balance at 31 March**	**475,396**

Collection Fund Adjustment Account

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

31/03/23		31/03/24
£000		£000
4,467	**Balance at 1 April**	(16,103)
(20,570)	Amount by which local taxation income credited to the CIES is different from local taxation income calculated for the year in accordance with statutory requirements	11,868
(16,103)	**Balance at 31 March**	**(4,235)**

Dedicated Schools Grant Adjustment Account

The Dedicated Schools Grant Adjustment Account is a unusable reserve. It is created in relation to the treatment of school budget deficits such as when there is a deficit on a school budget relating to its accounts for a financial year beginning on 1st April 2021, 1st April 2022 or 1st April 2023. The deficit must not be charged to a revenue account. This account records any such deficits thereby separating school budget deficits from Surrey County Council general fund for a period of 3 financial years.

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

Accumulated Absences Account

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

31/03/23		31/03/24	31/03/24
£000		£000	£000
11,991	**Balance at 1 April**		**12,229**
(11,991)	Settlement or cancellation of accrual made at the end of the preceding year	(12,229)	
12,229	Amounts accrued at the end of the current year	13,419	
238	Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		1,190
12,229	**Balance at 31 March**		**13,419**

Note 25: Pooled budgets

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

Better Care Fund

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

The council entered into seven pooled budget arrangements in 2015/16, each representing a different CCG and area within Surrey. These arrangements are now with the 2 ICBs in Surrey following the dissolution of the CCGs . Each of the pooled budgets represents a joint arrangement with an equal proportion of ownership. The fund is managed by a Local Joint Commissioning Group (LJCG) which is a partnership between the council, the local ICB and other key partners in the area involved in the provision of Adult Social Care.

The council acts as the 'host' authority for all these pooled budgets. The table below summarises the financial position of each pooled budget arrangement for 2023/24. The council recognises its share of income, expenditure, assets and liabilities in its accounts.

2023/24

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

2022/23

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

Orbis Joint Operating Budget

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

The Orbis Partnership in 2023/24 incorporated the following services: IT and Digital (part supported), Procurement, Internal Audit, Management, Insurance, and Treasury.

2022/23 £000		2023/24 £000
	Funding provided to the pooled budget	
(6,166)	- Surrey County Council	(6,384)
(3,471)	- East Sussex County Council	(3,600)
(2,733)	- Brighton and Hove City Council	(2,873)
(12,370)		(12,858)
12,370	Expenditure met from the pooled budget	12,858
-	Net surplus on the pooled budget	-

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

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

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

Note 26: Member allowances

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

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

Note 27: Officer remuneration – senior officers

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

Remuneration includes salary/wages, bonuses, expenses, allowances and benefits (chargeable to United Kingdom income tax), compensation for loss of office and employer pension contributions paid in 2023/24. Compensation for loss of office is included even though this is excluded from the general definition of remuneration. Costs for interim senior officers are also included in the salary column, these include the fees payable to employment agencies

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

2023-24	Notes	Salary & Other Payments £	Employers Pension contributions £	Total £
Chief Executive - Joanna Killian	1	234,530	-	234,530
Interim Chief Executive - Leigh Whitehouse	**2**	15,042	-	15,042
Deputy Chief Executive & Executive Director for Resources (section 151) - Leigh Whitehouse	**3**	193,137	-	193,137
Director - Corporate Finance & Commercial (Interim S151) - Anna D'Alessandro	**4**	5,644	835	6,479
Executive Director of Prosperity, Partnerships and Growth – Michael Coughlin	**5**	186,533	27,607	214,140
Executive Director for Children, Families, Lifelong Learning and Culture - Rachel Wardell	**6**	177,652	26,292	203,944
Executive Director for Public Service Reform - Rachel Crossley	**7**	85,053	12,626	97,679
Executive Director – Adults, Wellbeing & Health Partnerships - Helen Coombes	**8**	163,270	-	163,270
Executive Director – Adults, Wellbeing & Health Partnerships - Liz Bruce	**9**	138,048	-	138,048
Executive Director Environment, Infrastructure and Growth – Katherine Stewart	**10**	159,669	23,631	183,300
Executive Director - Customer, Digital & Transformation – Marie Snelling	**11**	136,187	13,946	150,133
Strategic Director – Communications – Andrea Newman	**12**	130,627	19,332	149,960
Chief Fire Officer - Dan Quin	**13**	140,367	40,426	180,793
Total 2023/24		**1,765,758**	**164,694**	**1,930,454**

Notes to Senior Officer's Remuneration table:

Note 1 - Joanna Killian left her position of Chief Executive at SCC on 17/03/2024. Full time annual salary is £245,157.

Note 2 - Leigh Whitehouse took up the interim position of Interim Chief Executive from March 2024.Full time annual salary is £223,822.

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

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

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

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

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

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

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

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

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

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

2022-23	**Salary & Other Payments £**	**Employers Pension contributions £**	**Total £**
Chief Executive - Joanna Killian	234,600	-	234,600
Deputy Chief Executive & Executive Director for Resources (section 151) - Leigh Whitehouse	198,135	-	198,135
Executive Director of Prosperity, Partnerships and Growth – Michael Coughlin	178,500	26,418	204,918
Executive Director for Children, Families, Lifelong Learning and Culture - Rachel Wardell	170,000	25,160	195,160
Executive Director for Public Service Reform - Rachel Crossley	137,287	20,318	157,605
Executive Director – Adults, Wellbeing & Health Partnerships - Liz Bruce	190,551	-	190,551
Executive Director for Highways, Transport and Environment – Katie Stewart	152,793	20,729	173,522
Executive Director for Customers and Communities – Marie Snelling	143,000	21,164	164,164
Chief Fire Officer - Dan Quin	130,900	38,218	169,118
Strategic Director - Communications - Andrea Newman	125,000	18,500	143,500
Total 2022/23	**1,660,766**	**170,507**	**1,831,273**

Note 28: Officers' remuneration

Officers Remuneration over £50k

2022/23				2023/24		
Non School numbers	Schools numbers	**Total numbers**	Remuneration (£)	Non School numbers	Schools numbers	**Total numbers**
426	138	**564**	50,000 – 54,999	452	206	**658**
163	86	**249**	55,000 – 59,999	335	108	**443**
136	53	**189**	60,000 – 64,999	175	71	**246**
129	42	**171**	65,000 – 69,999	109	50	**159**
63	39	**102**	70,000 – 74,999	138	35	**173**
27	30	**57**	75,000 – 79,999	52	28	**81**
47	17	**64**	80,000 – 84,999	33	24	**57**
15	12	**27**	85,000 – 89,999	44	15	**59**
16	2	**18**	90,000 – 94,999	20	9	**28**
9	6	**15**	95,000 – 99,999	13	6	**19**
1	1	**2**	100,000 – 104,999	8	3	**11**
3	-	**3**	105,000 – 109,999	2	1	**3**
7	1	**8**	110,000 – 114,999	1	1	**2**
2	1	**3**	115,000 – 119,999	3	-	**3**
1	1	**2**	120,000 – 124,999	6	1	**7**
3	1	**4**	125,000 – 129,999	1	1	**2**
2	-	**2**	130,000 – 134,999	2	2	**4**
1	-	**1**	135,000 – 139,999	4	1	**5**
1	-	**1**	140,000 – 144,999	2	-	**2**
1	-	**1**	150,000 – 154,999	-	-	**-**
-	-	**-**	155,000 – 159,999	1	-	**1**
1	-	**1**	160,000 – 164,999	-	-	**-**
1	-	**1**	165,000 – 169,999	-	-	**-**
-	-	**-**	170,000 – 174,999	1	-	**1**
1	-	**1**	175,000 – 179,999	1	-	**1**
-	-	**-**	185,000 – 189,999	1	-	**1**
1	-	**1**	195,000 – 199,999	-	-	**-**
1	-	**1**	205,000 – 204,999	1	-	**1**
-	-	**-**	220,000 – 225,499	-	-	**-**
1	-	**1**	230,000 – 234,999	1	-	**1**
1,059	430	**1,489**		1,406	563	**1,969**

In 2023/24, as well as incremental pay increase for applicable employees, a pay award was agreed that increased by set amounts for employees on the lower end of the pay scales. This corresponds to the increase in numbers to the employees with remuneration above £50k with a weighting to the increases at the lower end of the £50k to £235k scale.

Note 29: Exit packages

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

2022/23					2023/24			
Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band	Exit package cost band (including special payments)	**Number of compulsory redundancies**	**Number of other departures agreed**	**Total number of exit packages by cost band**	**Total cost of exit packages in each band***
			£000	**Cost (£)**				**£000**
20	146	166	934	0-20,000	179	42	221	1,340
0	10	10	321	20,001-40,000	17	12	29	837
0	2	2	202	40,001-60,000	6	8	14	664
0	2	2	129	60,001-80,000	2	2	4	254
0	1	1	88	80,001-100,000	0	1	1	82
				100,001-150,000	1	0	1	140
0	1	1	157	150,001 – 200,000	0	0	0	0
20	**162**	**182**	**1,829**	**Total cost included in bandings**	**205**	**65**	**270**	**3,318**
0	0	0	89	ADD: Amounts provided for in CIES not yet paid**	0	0	0	0
20	**162**	**182**	**1,918**	**Total cost included in CIES**	**205**	**65**	**270**	**3,318**

* Includes cost of pension fund strain where applicable

** Included in the total cost charged to the CIES are movements in the redundancy provision for redundancies that had been approved in 2023/24 but for which no payment had yet been made.

Note 30: External audit costs

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

2022/23 £000		2023/24 £000
	Fees payable to the external auditors with regards to external audit services carried out by the appointed auditor for the year	
218	Grant Thornton	-
-	Ernst & Young	384
10	Fees payable to the external auditors for the certification of grant claims and returns for the year	12
228	Total	**396**

Note 31: Dedicated Schools Grant

The council's expenditure on schools in 2023/24 was funded primarily by grant monies provided by the Education and Skills Funding Agency, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School and Early Years Finance (England) Regulations 2023 (2023 SI 59). The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school, plus allocations for private nursery providers.

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

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

2022/23 Total £000	Notes		Central expenditure £000	Individual schools budget (ISB) £000	2023/24 Total £000
1,031,164	A	Final DSG for 2023/24 before academy and high needs recoupment			1,102,087
(491,513)	B	Academy and high needs figure recouped for 2023/24			(539,144)
539,651	C	Total DSG after academy and high needs recoupment for 2023/24			562,943
4,772	D	plus DSG surplus brought forward from 2022/23			1,298
21,881	E	less Carry forward to 2024/25 agreed in advance (+ means deficit)			31,498
566,304					**595,739**
566,304	F	Agreed initial budgeted distribution for 2023/24	236,593	359,146	595,739
24,269	G	In year adjustments to budget	12,242	18	12,260
590,573	H	Final budgeted distribution 2023/24	248,835	359,164	607,999
205,073	I	Actual central expenditure	234,757		234,757
362,321	J	Actual ISB deployed to schools		358,631	358,631
0	K	less funded by Local authority contribution	0	0	0
567,394		Total funded by DSG	234,757	358,631	593,388
(23,179)	L	In year carry forward to 2024/25	(14,078)	(533)	(14,611)
21,881	M	Carry forward to 2024/25 agreed in advance			31,498
1,298	N	Carry forward to 2024/25(if surplus)			0
(62,635)	O	DSG unusable reserve at the end of 2022/23			(62,635)
0	P	Addition to DSG unusable reserve at the end of 2023/24			(16,887)
(62,635)	Q	Total DSG unusable reserve at the end of 2023/24			(79,522)
(61,337)	R	Net DSG surplus (deficit) at 31 March 2024			(79,522)

Notes:

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

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

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

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

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

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

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

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

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

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

K Contribution from LA which has the effect of substituting for DSG in 2023/24. There were no such contributions in 2023/24 under the DSG conditions of grant, any overspends on the Schools Budget must be carried forward and met from DSG in future years, unless the Secretary of State allows all or part of the overspend to be funded from other sources. Authorities with a DSG deficit are expected to develop a recovery plan to repay those deficits over a number of years.

L Variation against 2023/24 budgets. For central expenditure, difference between final budgeted distribution of DSG and actual expenditure, plus any local authority contribution. For ISB, difference between amount allocated to individual providers and funding budgeted for that purpose.

M Same as E above.

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

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

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

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

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

Note 32: Grants and contributions

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

2022/23 £000	General grants & contributions	2023/24 £000
(31,231)	Social Care Support Grant	(52,533)
(31,697)	Business Rate Grants	(30,395)
(5,955)	Private Finance Initiative Grant	(5,955)
(7,936)	Services Grant	(4,656)
(2,237)	New Homes Bonus	(1,629)
(18,785)	Other Revenue Grants and adjustments	(660)
(97,841)	**Revenue grants and contributions**	(95,827)
(32,679)	Education Funding Agency (Schools Basic Need & Schools Condition Allocation)	(22,775)
(31,518)	Highways Maintenance & Integrated Transport Grant	(19,047)
(24,280)	Capital developer contributions	(18,097)
(1,322)	Capital contributions from schools	(9,306)
(10,789)	Other Capital grants & Contributions	(9,134)
(100,589)	**Capital grants and contributions:**	(78,359)
(198,429)	**General grants & contributions**	**(174,186)**

Grants credited to services are analysed in the following table:

2022/23 £000		2023/24 £000
(599,568)	Dedicated Schools Grant	(574,603)
(39,637)	Public Health Grant	(40,930)
(13,610)	Pupil Premium	(13,911)
-	Improved Better Care Fund	(11,408)
(5,291)	Household Support Fund	(10,582)
(2,696)	Market Sustainability (ASC)	(9,354)
(21,639)	Young People Learning Agency	(9,323)
(33,752)	Homes for Ukraine Grant	(8,984)
(6,831)	Universal Infant Free School Meals	(7,330)
(638)	Teachers Pay and Pensions Grants	(204)
(97,395)	Other revenue grants	(93,169)
(821,057)	**Grants credited to services Total**	(779,798)
(198,429)	General grants & contributions	(174,186)
(1,019,487)		(953,984)

Note 33: Related parties

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

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

Elected Members of the Council have direct control over the Council's financial and operating policies. As required by Section 81 of the Local Government Act 2000, Members' outside interests are recorded in a formal Register and the Code of Conduct operated by the Council requires members to disclose any related interests they have and to take no part in decisions on issues concerning those related interests. Any contracts that were entered into that had any related party interest would be required to be fully compliant with the Council's constitution - standing orders, financial regulations and procurement standing orders.

The total of members' allowances paid in 2023/24 is shown in Note 25. Before every decision making meeting, members are required to disclose any conflicts of interest. There were 33 related party transactions totalling £33,103 arising from disbursements from members' devolved budgets.

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

Entities controlled or significantly influenced by the Council

The council wholly owns the following companies:

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

The council jointly owns the following entity with Commercial Services Kent Ltd.

- Connect2Surrey (formally known as Surrey & Kent CS LLP) – a limited liability partnership specialising in temporary recruitment in the public sector.

Group accounts for 2023/24 have been prepared and will be presented in these accounts to show the combined financial performance and position of the county council, Hendeca Ltd, Surrey Choices Ltd, Halsey Garton Property Ltd and Halsey Garton Residential Ltd, and proportional consolidation for Connect2Surrey.

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

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

The Council purchased £9.5m of Adult Social Care services from Surrey Choices Ltd (£10.3m in 2022/23). It received £0.4m in recharges from the company for services provided in year (£2.4m in 2022/23). The subsidiary entered into a lease agreement for Longmead Hub on 24 Aug 2021 for five years at a annual rent of £37k. As at 31 March 2024 the company owed SCC £1.6m in long term loans.

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

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

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

Surrey Pension Fund

The fee payable by the Surrey Pension Fund to the county council for services provided in 2023/24 was £4.8m (£4.7m in 2022/23). This is split into the fee for providing pension administration services of £3.2m (£4.2m in 2022/23) was charged. There is also a fee of and £1.6m for oversight and governance charged in 2023/24. In the prior year £0.5m was charged in 2022/23 for treasury management, accounting and managerial services.

During 2023/24 the Council paid employer pension contributions of £68.7m (£73.7m in 2022/23).

Orbis

Orbis is a partnership between Surrey County Council, East Sussex County Council and Brighton & Hove City Council that aims to provide seamless and resilient business services to the public sector, creating a compelling alternative to other providers. During 2023/24 Surrey, East Sussex, and Brighton & Hove operated a joint operating budget to fund business services at each council. (See note 24 for more information).

Note 34: Capital expenditure and capital financing

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

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

Note 35: Leases

Council as lessee

Operating leases:

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

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

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

2022/23 £000	Amounts charged to the CIES during the year	2023/24 £000
	Operating leases - land and buildings	
3,615	Minimum lease payments for the year	**4,853**

Council as lessor

Operating leases:

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

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

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

31 March 2023 £000		31 March 2024 £000
	Operating Lease Future Receipts - land and buildings:	
4,722	Not later than one year	8,768
17,889	Later than one year but not later than five years	26,419
50,299	Later than five years	42,931
72,910		**78,118**

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

Note 36: Other short-term and long-term liabilities

31 March 2023 Other liabilities Short term	Long-term	Total		31 March 2024 Other liabilities Short term	Long-term	Total
£000	£000	£000		£000	£000	£000
(19,840)	(55,509)	(75,349)	PFI finance lease liabilities (Note 37)	(7,003)	(81,350)	(88,353)
-	(6,989)	(6,989)	Deferred income liabilities (Note 37)	-	(5,725)	(5,725)
-	(700,599)	(700,599)	Pension liabilities (Note 39)	-	(475,396)	(475,396)
-	(6,197)	(6,197)	Balances held for third parties	-	(5,908)	(5,908)
-	-	-	Receipts in advance (Note 21)	(31,418)	(22,716)	(54,134)
(19,840)	**(769,294)**	**(789,134)**		**(38,421)**	**(591,093)**	**(629,514)**

Note 37: Private finance initiatives and similar contracts

In 1999 the Council entered into a 25-year contract for waste disposal with Surrey Waste Management. The annual payments under the contract are in part dependent upon the tonnage of waste sent for disposal so that the contractor manages demand risk at higher tonnage levels whereas this risk falls on the Council if tonnages fall.

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

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

Property plant and equipment

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

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

The table below summarises the movement:

Land & Buildings	Infra-structure	Vehicle, Plant & Equipment	2022/23 Total		Land & Buildings	Infra-structure	Vehicle, Plant & Equipment	2023/24 Total
£000	£000	£000	£000		£000	£000	£000	£000
100,928	76,653	29,039	206,620	Gross cost at 1 April	100,928	76,653	29,039	206,620
-	-	-	-	Opening balance adjustment	24,087	-	40	24,128
-	-	-	-	Movement: Additions/Revaluations	(7,527)	-	17,611	10,084
100,928	76,653	29,039	206,620	Gross Cost at 31 March	117,488	76,653	46,690	240,831
(37,805)	(22,134)	(78)	(60,017)	Accumulated Depreciation and Impairment at 1 April	(39,752)	(24,051)	(1,014)	(64,817)
-	-	-	-	Opening balance adjustment	30,790	4,633	(41)	35,382
(1,947)	(1,917)	(936)	(4,800)	Depreciation charge for the year	(8,962)	(1,916)	(957)	(11,835)
-	-	-	-	Impairment losses recognised in the Surplus/Deficit on the Provision of Services	-	-	1,972	1,972
(39,752)	(24,051)	(1,014)	(64,817)	Accumulated Depreciation and Impairment at 31 March	(17,924)	(21,335)	(2,012)	(43,242)
63,123	54,519	28,961	146,603	**Net book value at 1 April (including opening adjustment)**	116,054	57,235	28,024	201,313
61,176	52,602	28,025	141,803	**Net book value at 31 March**	99,564	55,318	44,678	197,589

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

Payments remaining to be made under the PFI contract at 31 March 2024 (excluding any estimation of inflation and availability/performance deductions) are as follows:

2022/23 Total £000		Payable within 1 Year £000	Payable within two to five years £000	Payable within six to ten years £000	Payable within 11 years £000	2023/24 Total £000
	Payment for Services					
61,546	Waste	22,447	-	-	-	22,447
7,731	Care UK	7,731	15,462	-	-	23,193
2,936	Street Lighting	2,952	12,037	15,818	3,889	34,696
72,213		33,131	27,499	15,818	3,889	**80,337**
	Reimbursement of Capital Expenditure					
19,084	Waste	3,895	12,454	21,973	-	38,322
136	Care UK	144	315	-	-	459
2,772	Street Lighting	2,964	14,135	24,532	5,644	47,275
21,992		7,003	26,903	46,505	5,644	**86,056**
	Interest					
1,246	Waste	-	-	-	-	-
36	Care UK	28	29	-	-	57
5,592	Street Lighting	5,383	19,028	16,150	1,767	42,328
6,874		5,411	19,057	16,150	1,767	**42,385**
101,079	TOTAL	**45,545**	**73,459**	**78,473**	**11,300**	**208,778**

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

2022/23 Finance Lease Liability £000	2022/23 Deferred Income Liability £000		2023/24 Finance Lease Liability £000	2023/24 Deferred Income Liability £000
(88,520)	(8,180)	**Balance outstanding at the start of the year**	(75,349)	(6,988)
13,171	-	Payments during the year	6,715	-
-	-	Payments during the year relating to prior years	(4,924)	-
-	-	Reinstatement of assets due to revised contract	(14,794)	-
-	1,191	Amortisation of deferred income	-	1,263
(75,349)	**(6,988)**	**Balance outstanding at year end**	**(88,353)**	**(5,725)**

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

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

Note 38: Pension schemes accounted for as defined contribution schemes

Teacher Pension

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

The scheme is a multi-employer defined benefit scheme. The scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. Valuations of the notional fund are undertaken every 4 years. The scheme has in excess of 3,700 employers and consequently the Council is not able to identify its share of underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of this statement of accounts, it is therefore accounted for on the same basis as a defined contribution scheme. The expected contributions to the plan for the next annual reporting period are £44.6m.

In 2023/24, the Council paid £48.5m / 23.68%. The 2022/23 equivalents were a payment of £48.6m and percentage of 23.68%. The council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and the Council is not liable to the scheme for any other entities' obligations under the scheme.

NHS Pension

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

The NHS pension scheme is an unfunded, defined benefit scheme that covers NHS employers, GP practices and other bodies allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the Council of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period. The Public Health Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to NHS pensions in the year. In 2023/24 the council paid £420.7k (2022/23, £387.1k, 16.88%). The total contribution rate for 2023/24 is 20.68%, the remaining 3.8%

not paid by the council is funded by the Department of Health and Social Care. The expected contributions to the plan for the next annual reporting period are £459.5k.

Note 39: Defined benefit pension schemes

Participation in pension schemes

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

Surrey County Council contributes to two defined benefit schemes:

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

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

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

Transactions relating to post-employment benefits

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

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

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

Pension assets and liabilities recognised in the balance sheet

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

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

Assets and liabilities in relation to post-employment benefits

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

	Funded Liabilities Local Government Pension Scheme		Unfunded Liabilities Firefighters' pension scheme	
	2022/23	**2023/24**	**2022/23**	**2023/24**
	£000	**£000**	£000	**£000**
Opening Balance at 1 April	**(3,623,941)**	**(2,618,408)**	**(659,900)**	**(454,000)**
Current service cost	(159,333)	(70,943)	(8,100)	(2,900)
Interest cost	(99,023)	(123,943)	(17,700)	(21,200)
Contributions by scheme participants	(22,296)	(22,712)	-	-
Remeasurements:				
- Actuarial gains and losses arising on changes in demographic assumptions	20,203	15,245	7,600	200
- Actuarial gains and losses arising on changes in financial assumptions	1,399,518	154,967	230,800	23,300
- Other experience	(219,124)	(88,329)	(26,200)	(9,200)
Pensions and lump sum expenditure	-	-	19,900	17,300
Benefits paid	83,257	104,986	-	-
Past service costs (including curtailments)	(792)	(522)	(400)	(300)
Settlements	3,123	6,402	-	-
Closing balance at 31 March	**(2,618,408)**	**(2,643,257)**	**(454,000)**	**(446,800)**

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

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

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

There are no fair value changes for the Fire fighter pensions.
***** Difference between actuary estimate of employer contributions and actual contributions paid.

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total net liability of £29m has an impact on the net worth of the Council as recorded in the Balance Sheet. The liability has reduced considerably during 2023/24 and statutory arrangements for funding the deficit, however, mean that the financial position of the Council remains stable:

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

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and the Firefighters' Pension Scheme have been assessed by the Council's actuaries, Hymans Robertson using the latest full valuation of the scheme as at 31 March 2024.

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

The principal assumptions used by the actuary have been:

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

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

Sensitivity analysis

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

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

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

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

Investment assets

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

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

Asset and liability matching strategy

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

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

Impact on the Council's cash flows

The council has a stabilisation strategy in place to keep employer contributions at a consistent rate as possible. The council has agreed a strategy with the fund's actuary to achieve 100% funding over the next 15-20 years. The council's employer contribution rate is set at a level to help achieve this objective. The contribution level is periodically reviewed as part of the triennial valuation to ensure it is appropriate. The most recent review (based on the figures as at 31 March 2022) set the contribution rates for the 3 following years commencing 1 April 2023. The next review will be based on the figures as at 31 March 2025 and set the contribution rates for the 3 following years commencing 1 April 2026..

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

The council expects to make employer contributions of £59.2m to the LGPS in 2023/24.

Recent case judgement and applicability

In June 2023, the UK High Court (Virgin Media Limited v NTL Pension Trustees II Limited) ruled that certain historical amendments for contracted-out defined benefit schemes were invalid if they were not accompanied by the correct actuarial confirmation. The judgment has now been upheld by the Court of Appeal.

The Local Government Pension Scheme is a contracted out defined benefit scheme and amendments have been made during the period 1996 to 2016 which could impact member benefits. Work is being performed by the Government Actuary's Department as the Local Government Pension Scheme actuary to assess whether section 37 certificates are in place for all amendments and some of these have been confirmed however, at the date of these financial statements, the full assessment is not complete. Until this analysis is complete, we are unable to conclude whether there is any impact to the liabilities or if it can be reliably estimated. As a result, Surrey County Council does not consider it necessary to make any allowance for the potential impact of the Virgin Media case in its financial statements."

Note 40: Contingent assets and liabilities

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

Contingent Liabilities

In 2001, the county council arranged for consultants to undertake a desk review of the potential liabilities at a number of closed landfill sites where some responsibility for the impact of the waste remained with the Council. During 2013/14 a review of this assessment was carried out to ascertain how investigation strategies have developed since the initial report was issued and update potential remedial works and possible costs should a site be found to be contaminated. These liabilities would occur if the local District and Borough Councils, who are the enforcing authorities, investigate the sites and oblige the Council to take action under the provisions of Part IIA of the Environment Protection Act 1990. The review concluded that the likelihood of remedial work being required in relation to one closed landfill site was high and the estimated cost of these works (£700,000) has been included as a provision. The potential costs identified in relation to the other sites range from between £2.8m to £4.2m. These costs are considered to be less likely to be incurred and to date very few investigations have taken place. The council would seek to share any eventual liabilities with those in ownership of the sites when they were landfilled.

Note 41: Cash flow statement- operating activities

The cash flows for operating activities include the following items:

2022/23 £000		2023/24 £000
18,354	Interest received	17,193
(29,372)	Interest paid	(33,846)

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

Restated 2022/23 £000		2023/24 £000
108,485	Depreciation	125,126
49,020	❸❹ Impairment and downward valuations	135,540
-	Amortisation of intangible assets	1,624
36,948	Increase/(decrease) in creditors	(2,293)
(65,360)	(Increase)/decrease in debtors	(11,279)
73	Decrease in inventories	239
129,066	Movement in pension liability	29,703
63,291	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	14,503
(4,892)	Other non-cash items charged to the net surplus or deficit on the provision of services	(2,729)
316,631	**Adjustment to deficit on provision of services for non cash movements**	**290,434**

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

Restated 2022/23 £000		2023/24 £000
(60,495)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets Depreciation	(20,215)
(100,589)	Any other items for which the cash effects are investing or financing cash flows Impairment and downward valuations	(105,957)
(161,084)	**Adjust for items included in deficit on provision of services that are investing and financing activities**	**(126,172)**

Note 42: Cash flow statement – investing activities

Restated 2022/23 £000		2023/24 £000
(172,267)	Purchase of property, plant and equipment, investment property and intangible assets	(251,142)
436	Other payments for investing activities	

60,495	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	20,215
100,589	Other receipts from investing activities	105,957
(10,747)	**Net cash flows from investing activities**	**(124,970)**

Note 43: Cash flow statement – financing activities

2022/23 £000		2023/24 £000
-	Cash receipts of short- and long-term borrowing	115,327
(12,431)	Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts	(10,610)
(73,705)	Repayments of short- and long-term borrowing	-
(86,136)	**Net cash flows from financing activities**	**104,717**

Note 44: Prior year restatements

❶ Restatement 1: Disclosure of interest on net defined pension liability

In the prior year financial statements pensions interest income on plan assets and interest cost on the defined benefit obligation were incorrectly disclosed gross, whereas under the CIPFA code of accounting practice, these should be disclosed net. The impact of correcting the error is to reduce financing and investment gross expenditure and income within the comprehensive income and expenditure account by £66,064k.

To correct the error, the 2022/23 comparatives have been restated to net off interest income against interest cost in the Comprehensive Income and Expenditure Statement and Note 2 as presented below:

The impact on the Comprehensive Income and Expenditure is as follows:

Expenditure	SOA 2022/23 £000	Adjustment £000	Restated 2022/23 £000
Interest expenses	147,417	(66,064)	81,353
Interest and Investment Income	(84,418)	66,064	(18,354)

❷ Restatement 2: Disclosure of 2022/23 General Fund and Capital Receipts Reserve

The comparatives for the year to March 2023 in the MiRS have been restated to correct disclosures in respect of the proceeds from the sale of an asset being incorrectly recorded resulting in the capital receipts reserve being overstated by £18.7m and the general fund understated by the same amount. These reserves have been adjusted accordingly to correct this.

❸ Restatement 3: Disclosure of impairment of subsidiary and remeasurement of risk of credit loss from subsidiary loan

Halsey Garton Property Limited (HGP) is an investment property company wholly owned by Surrey County Council (SCC). HGP owns a portfolio of commercial properties. The value of these properties has decreased since they were originally purchased due mostly to the impact of Covid 19 on commercial property values. The investment properties are valued each year and adjusted to fair value in the HGP accounts. The fall in property values creates a reduction in net asset value for HGP, which is deemed the recoverable amount, and fair value of the investment in SCC. An impairment in HGP is indicated when the net asset value of HGP is lower than the carrying value of HGP in the SCC accounts.

During 2023/24, a review of the carrying amount of the assets relating to HGP was undertaken and a prior year adjustment made to reduce the reported values for 2021/22 and 2022/23 which had not reflected impairments that should have been recorded at the time.

The changes made to previous reported figures are set out below:

	Original £'000	Annual Impairment £'000	Overall Impairment £'000	Restatement £'000
Position as 31 March 2022				
Long Term Investment	**97,036**	(37,845)	(37,845)	**59,191**
of notably:				
Halsey Garton Property Ltd	**96,773**	(37,845)	(37,845)	**58,928**
Position as 31 March 2023				
Long Term Investment	**97,036**	(11,410)	(49,255)	**47,781**
of notably:				
Halsey Garton Property Ltd	**96,773**	(11,410)	(49,255)	**47,518**

❹ Restatement 4: Indexation linked revaluation of Land values

In line with the Code of Practice on Local Authority Accounting in the United Kingdom, Property, Plant and Equipment held by the Council should be revalued with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using the current value at the end of the reporting period. The Council adopts a five year rolling programme for the revaluation of its assets in line with standard practice in Local Government.

There is a recognised need, due to this practice of not revaluing all assets on an annual basis, to annually assess the risk of those assets that have not been revalued recently being materially misstated. As part of the review undertaken for 2023/24, it was identified that a number of land assets were potentially over-valued as at 31 March 2023, when compared to market indices. This consists of an under-valuation of £7.7m in 2021/22, offset by a over-valuation in 2022/23 of £44.7m.

Accordingly, the following adjustments have been made to the 2022/23 opening and closing balances:

	Original Balance 31/3/22 £'000	Adjustment 21/22 £'000	**Revised Balance 31/3/22** £'000	**Original Balance 31/3/23 £'000**	Adjustment 21/22 £'000	Adjustment 22/23 £'000	**Revised Balance 31/3/23** £'000
Balance Sheet Entries:							
Property, Plant & Equipment	1,939,331	7,713	1,947,044	2,084,656	7,713	(44,724)	2,047,645
Capital Adjustment Account	(473,072)	(1,442)	(474,514)	(438,961)	(1,442)	9,945	(430,458)
Revaluation Reserve	(634,428)	(6,271)	(640,699)	(719,455)	(6,271)	34,779	(690,947)
Comprehensive Income & Expenditure Account Impact:							
- (Surplus) or Deficit on Provision of Services	(59,426)	(1,442)	(60,868)	102,286	-	9,945	112,231
- Surplus on Revaluation of Non-Current Assets	(95,033)	(6,271)	(101,304)	(124,391)	-	34,779	(89,612)
Movement in Reserves Statement Impact:	-	1,442	-	-	-	(9,945)	-

Impact of prior year restatements on the financial statements::

The four restatements impact various statements and notes within the Statement of Accounts. Extracts of the restated disclosures are presented with the original figures, adjustments and restated amounts.

The overall impact on the Primary Statements in set out below (focusing only on those figures that have changed):

Comprehensive Income Expenditure (extract)

	Original signed SOA 22/23			Adjustment	Adjustment	Restated Year ended 31 March 2023		
	Gross Expenditure £000	Income £000	Net Expenditure £000	Gross Expenditure £000	Income £000	Gross Expenditure £000	Income £000	Net Expenditure £000
Adjustments:								
❹Cost of Services	2,291,327	(1,140,745)	1,150,584	9,945		2,301,272	(1,140,745)	1,160,528
❶❸Financing Income & Expenditure	186,424	(89,191)	97,233	(54,654)	66,064	131,770	(23,127)	108,643
(Surplus) or Deficit on Provision of Services	**2,507,565**	**(2,405,279)**	**102,286**	(44,709)	66,064	**2,462,856**	**(2,339,217)**	**123,639**
❹ (Surplus) of Deficit on Revaluation of Non-Current Assets			(124,391)	34,779				(89,612)
Total Comprehensive Income & Expenditure			**(1,337,739)**	(9,930)	66,064			**(1,281,607)**

Note 2: Income and Expenditure analysed by nature (extract)

	Original signed SOA 22/23				Restated Year ended 31 March 2023	
	Expenditure £000	Income £000	Expenditure £000	Income £000	Expenditure £000	Income £000
❶ Interest expenses	147,417	-	(66,064)		81,353	
❸Impairment of subsidiary	-	-	11,410		11,410	
❹Other service expenses	1,433,615	-	9,945		1,443,560	
Expenditure	**2,507,565**	-	**(44,709)**		**2,462,856**	
❶Interest and investment income		(84,418)		66,064		(18,354)
Income	**2,507,565**	**(2,405,279)**	(44,709)	66,064	**2,462,856**	**(2,339,215)**

Movement in Reserves Statement

	General Fund			Capital Receipts Reserve		
	Original 2022/23	Adjust-ments	**Restated 2022/23**	Original 2022/23	Adjust-ments	**Restated 2022/23**
	£'000	£'000	**£'000**	£'000	£'000	**£'000**
Movements (as set out in Note 8):						
- Transfer from Deferred Capital Receipts Reserve ❸	-	18,747	**18,747**		(18,747)	**(18,747)**
- Impairment of Fair Value Adjustment ❷	-	11,410	**11,410**			
- Revaluation loss on PPE ❹	12,696	9,945	**22,641**			
Total Movements		**40,102**			**(18,747)**	
Adjustments between accounting basis and funding basis under regulations:	**113,821**	**40,102**	**153,923**	**53,688**	**(18,747)**	**34,942**

Balance Sheet

	Original Balance 31/03/2023	Adjustment ❷	Adjustment ❸	Adjustment ❸	**Restated Balance 31/03/2023**
	£'000	£'000	£'000	£'000	£'000
PPE	2,084,656	-	-	(37,011)	**2,047,645**
Long Term Investment	97,036	(49,255)	-	-	**47,781**
Capital Adjustment Account (Note 23)	(438,961)	49,255	-	8,503	**(381,203)**
Revaluation Reserve (Note 23)	(719,455)	-	-	28,508	**(690,947)**
Note 23 - Useable Reserves:					
General Fund	30,325		18,747		**49,072**
Capital Receipts	54,470		(18,747)		**35,724**

	Original Balance 31/03/2022	Adjustment ❸	Adjustment ❹	**Restated Balance 31/03/2022**
	£'000	£'000	£'000	£'000
PPE	1,939,331	-	7,713	**1,947,044**
Long Term Investment	97,036	(37,845)	-	**59,191**
Capital Adjustment Account	(473,072)	37,845	(1,442)	**(436,669)**
Revaluation Reserve	(634,428)	-	(6,271)	**(640,699)**

Cash Flow Statement

	Original 2022/23 £'000	Impairment of Fair Value Adjustment ❷ £'000	Revaluation of PPE ❹ £'000	**Restated 2022/23** £'000
Net (deficit) on provision of services	(102,286)	(11,410)	(9,945)	**(123,639)**
Adjustment to surplus/deficit on provision of services	295,278	11,410	9,945	**316,631**
Net Cash Flows from operating activities	31,908	-	-	**31,908**

5. GROUP ACCOUNTS

Group Accounts

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

Halsey Garton Property Limited has one subsidiary. The economic activities and financial position of the Halsey Garton Property Group is included within these group accounts.

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

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

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

Group Comprehensive Income & Expenditure Statement

Restated Year ended 31 March 2023 Gross Expenditure £000	Income £000	Net Expenditure £000		Year ended 31 March 2024 Gross Expenditure £000	Income £000	Net Expenditure £000
704,678	(339,309)	365,369	Children, Families, & Lifelong Learning	748,085	(382,871)	365,214
367,843	(356,044)	11,799	Delegated Schools	345,577	(343,071)	2,506
680,339	(215,037)	465,302	Adult Social Care	714,931	(234,846)	480,085
48,570	(51,568)	(2,998)	Public Service Reform	42,509	(46,321)	(3,812)
238,404	(29,166)	209,238	Environment, Transport & Infrastructure*	252,728	(29,460)	223,268
66,554	(7,375)	59,179	Surrey Fire & Rescue	61,746	(21,711)	40,035
48,802	(15,027)	33,775	Customer & Communities	49,151	(18,539)	30,612
84,370	(59,957)	24,413	Resources	72,762	(600)	72,162
1,673	(90)	1,583	Partnership, Prosperity and Growth	1,864	(484)	1,380
60,358	(67,177)	(6,809)	Central Income & Expenditure	122,247	(100,683)	21,564
2,301,591	**(1,140,740)**	**1,160,851**	Cost of Services – continuing operations	**2,411,600**	**(1,178,586)**	**1,233,014**
29,814	(25,392)	**4,422**	Other Operating Income & Expenditure*	80,856	(41,767)	**39,089**
164,711	(29,390)	**135,321**	Financing & Investment Income & Expenditure*	95,088	(28,272)	**66,816**
	(1,149,953)	**(1,149,953)**	Taxation, general grants & contributions		(1,151,287)	**(1,151,287)**
2,496,116	**(2,345,475)**	**150,641**	**Deficit on Provision of Services**	**2,587,544**	**(2,399,912)**	**187,632**
		1,886	Tax expense of subsidiaries			1,234
		152,527	**Group Deficit**			**188,866**
		(89,612)	(Surplus) on revaluation of non-current assets*			(6,291)
		(1,315,634)	Remeasurement of the net defined benefit liability			(254,906)
		(1,405,246)	**Other Comprehensive Income & Expenditure**			**(261,197)**
		(1,252,719)	**Total Comprehensive Income & Expenditure**			**(72,331)**

* See note 44 of main SCC statement of accounts: Prior year restatements that outline the original disclosure & adjustment.

Group Movement in Reserves Statement

2023/24	General Fund and Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants & Contributions Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000	SCC Share of Subsidiary Reserves £000	Total Group Reserves £000
Restated balance at 31 March 2023	**(491,542)**	**(35,724)**	**(222,629)**	**(749,895)**	**(312,771)**	**(1,062,667)**	**19,939**	**(1,042,728)**
(Surplus) or deficit on provision of services	187,632	-	-	**187,632**	-	**187,632**	1,234	**188,866**
Other comprehensive income & expenditure	-	-	-	**-**	(261,197)	**(261,197)**		**(261,197)**
Total comprehensive income & expenditure	**187,632**	**-**	**-**	**187,632**	**(261,197)**	**(73,565)**	**1,234**	**(72,331)**
Adjustments between Group Accounts and Surrey County Council Accounts	9,671	-	-	**9,671**	-	**9,671**	(9,671)	**-**
Adjustments between accounting basis & funding basis under regulations	(182,710)	25,073	(13,554)	**(171,191)**	171,191	**-**	-	**-**
Increase/(decrease) in year	**14,592**	**25,073**	**(13,554)**	**26,111**	**(90,006)**	**(63,894)**	**(8,438)**	**(72,331)**
Balance at 31 March 2024	**(476,950)**	**(10,651)**	**(236,183)**	**(723,784)**	**(402,768)**	**(1,126,552)**	**11,500**	**(1,115,052)**

2022/23	General Fund and Earmarked Reserves* £000	Capital Receipts Reserve £000	Capital Grants & Contributions Unapplied £000	Total Usable Reserves* £000	Unusable Reserves* £000	Total Council Reserves* £000	SCC Share of Subsidiary Reserves* £000	Total Group Reserves* £000
Restated balance at 31 March 2022	**(461,259)**	**(782)**	**(189,185)**	**(651,226)**	**870,166**	**218,940**	**(8,949)**	**209,991**
(Surplus) or deficit on provision of services	150,641	-	-	**150,641**	-	**150,641**	1,886	**152,527**
Other comprehensive income & expenditure	-	-	-	**-**	(1,405,246)	**(1,405,246)**	-	**(1,405,246)**
Total comprehensive income & expenditure	**150,641**	**-**	**-**	**150,641**	**(1,405,246)**	**(1,254,605)**	**1,886**	**(1,252,719)**
Adjustments between Group Accounts and Surrey County Council Accounts	(27,002)	-	-	**(27,002)**	-	**(27,002)**	27,002	**-**
Adjustments between accounting basis & funding basis under regulations	(153,923)	(34,942)	(33,445)	**(222,310)**	222,310	**-**	-	**-**
Increase/(decrease) in year	**(30,284)**	**(34,942)**	**(33,445)**	**(98,672)**	**(1,182,936)**	**(1,281,607)**	**28,888**	**(1,252,719)**
Restated balance at 31 March 2023	**(491,542)**	**(35,724)**	**(222,629)**	**(749,895)**	**(312,771)**	**(1,062,667)**	**19,939**	**(1,042,728)**

* See note 44 of main SCC statement of accounts: Prior year restatements that outline the original disclosure & adjustment.

Group Balance Sheet

Restated as at 31.03.2023 £000		Note	As at 31.03.2024 £000
2,048,156	Property, plant & equipment*		2,091,186
1,024	Heritage assets		1,024
360,736	Investment property	5	325,654
3,338	Intangible assets		23,179
263	Long term investments	6	38
2,687	Long term debtors	6	1,948
2,416,204	**Long term assets**		**2,443,029**
	Short Term:		
22,286	Assets held for sale		8,511
1,182	Inventories		943
256,278	Short term debtors		267,543
111,742	Cash & cash equivalents		70,160
391,487	**Current assets**		**347,157**
	Short Term:		
(173,810)	Borrowing		(295,161)
(300,169)	Creditors		(293,882)
(2,651)	Provisions		(2,502)
(7,450)	Revenue grants receipts in advance		(1,709)
(10)	Capital grants receipts in advance		(10)
(19,840)	Other current liabilities		(7,051)
(503,930)	**Current liabilities**		**(600,315)**
(11,604)	Provisions		(11,982)
(480,131)	Long term borrowing		(471,738)
(769,299)	Other long term liabilities		(591,099)
(1,261,034)	**Long term liabilities**		**(1,074,819)**
1,042,728	**Net assets**		**1,115,052**
(754,549)	Usable reserves		(728,409)
(288,179)	Unusable reserves*		(386,643)
(1,042,728)	**Total reserves**		**(1,115,052)**

Group Cashflow Statement

Restated 2022-23 *£000*		Note	2023-24 £000
(163,937)	Net (deficit) on the provision of services*		(188,858)
356,395	Adjustment to surplus or deficit on the provision of services for noncash movements*	8	298,369
(161,084)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	8	(139,144)
31,374	**Net Cash flows from operating activities**		**(29,633)**
(12,814)	**Net Cash flows from investing activities**	**9**	**(113,920)**
(86,137)	**Net Cash flows from financing activities**	**10**	**101,972**
(67,576)	**Net (decrease) in cash and cash equivalents**		**(41,582)**
179,318	**Cash and cash equivalents at the beginning of the reporting period**		**111,742**
111,742	**Cash and cash equivalents at the end of the reporting period**		**70,160**

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

* See note 44 of main SCC statement of accounts: Prior year restatements that outline the original disclosure & adjustment.

Note 1: General

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

Note 2: Group boundary

The council has an interest in a number of entities, the most significant of which are the wholly owned Local Authority trading companies Hendeca Group Limited, Surrey Choices Limited, Halsey Garton Residential Limited and Halsey Garton Property Limited, which are consolidated within these accounts. The paragraphs at the end of this section provide information on the nature of risks associated with each company.

Hendeca Group Limited

A company that provides business services such as IT data storage and Fire support services.

Surrey Choices Limited

A company that provides day services and community support options for people with disabilities and older people.

Halsey Garton Property Limited

An investment property company. Revenue recognition is considered a significant risk and the company is exposed to risk in terms of the level of income that can be generated through rent charges. It acts as a holding company for one subsidiary, Halsey Garton Property Investments Limited.

Halsey Garton Residential Limited

An investment property company that leases residential properties.

Other Interest

None of the other entities in which the Council has an interest are considered material, either when considered individually or in aggregate, to merit consolidation into the these group accounts.

Impact on Group Accounts

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

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

Hendeca Group Limited

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

Surrey Choices Limited

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

Halsey Garton Property Limited

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

Halsey Garton Residential Limited

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

Note 3: Accounting policies

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

Note 4: Material Items of income & expenditure

During the year ended 31 March 2024 there were no material items of Income and Expenditure other than those disclosed in Surrey County Council's accounts.

Note 5: Investment properties

The group Investment properties are those that are held solely to earn rental income and/or for capital appreciation. Investment properties are measured initially at cost and subsequently at fair value. Properties are not depreciated, with gains and losses on revaluation being posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. These properties are currently being leased to private tenants, producing rental income. As the properties were solely being used to generate income at the 31 March 2024, under the code of practice they are classed as investment properties.

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

2022/23		2023/24
£000		£000
23,706	Rental income from investment property	22,673
(3,404)	Direct operating expenses arising from investment property	(3,948)
20,302	**Net gain**	**18,725**
3,935	Gain on sale of investment property	1,747
(53,005)	Net (loss) on fair value adjustments	(23,736)
(28,768)	**Income & expenditure in relation to investment properties**	**(3,264)**

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

2022/23		2023/24	Offices	Industrial	Retail	Other
£000		£000	£000	£000	£000	£000
441,058	**Balance at start of the year**	**360,656**	**110,440**	**57,125**	**147,290**	**45,801**
9	Additions	**1,753**	321	-	1,389	44
-	Transfers	**770**	770	-	-	-
94	Reclassification	**845**	-	-	-	845
(27,500)	Disposals	**(14,637)**	-	(12,650)	-	(1,987)
(53,005)	Net (loss) from fair value adjustments	**(23,734)**	(19,976)	-	(3,004)	(754)
360,656	**Balance at end of the year**	**325,654**	**91,555**	**44,475**	**145,675**	**43,949**

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

2023/24

Recurring fair value measurements using:	Quoted markets in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2024
	£000	£000	£000	£000
Residential (market rental) properties	-	-	43,949	**43,949**
Industrial	-	-	44,475	**44,475**
Office units	-	-	91,455	**91,555**
Commercial units	-	-	145,675	**145,675**
Total	**-**	**-**	**325,654**	**325,654**

2022/23

Recurring fair value measurements using:	Quoted markets in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2023
	£000	£000	£000	£000
Residential (market rental) properties	-	-	45,801	**45,801**
Industrial	-	-	57,125	**57,125**
Office units	-	-	110,440	**110,440**
Commercial units	-	-	147,290	**147,290**
Total	**-**	**-**	**360,656**	**360,656**

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

Note 6: Financial instruments

Categories of Financial Instruments

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

Financial Assets	**Restated 31 March 2023 £000**	**31 March 2024 £000**
Fair value through profit or loss		
Cash and cash equivalents	96,500	41,000
Total	**96,500**	**41,000**
Amortised cost	**£000**	**£000**
Long term investments	263	38
Long term debtors*	2,687	1,948
Short term debtors*	168,673	168,142
Cash and cash equivalents*	15,242	29,160
Total	**186,865**	**199,288**
Total Financial Assets	**283,365**	**240,288**
Non-Financial Assets	110,073	108,802
Total Assets	**394,438**	**349,090**

* See note 17 & 44 of main SCC statement of accounts: Prior year restatements that outline the original disclosure & adjustment.

Note 7: External audit costs

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

2022/23 £000		2023/24 £000
	Fees payable to the external auditors with regards to external audit services carried out by the appointed auditor for the year:	
-	EY	384
218	Grant Thornton	-
51	UHY Hacker Young	48
27	Kreston Reves	26
10	Fees payable to the external auditors for the certification of grant claims and returns for the year	12
306	**Total**	**470**

Note 8: Group cash flow statement – operating activities

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

Restated 2022/23 £000		2023/24 £000
108,485	Depreciation	125,377
49,022	Impairment and downward valuations*	142,847
-	Amortisation	1,624
35,165	Increase in creditors	(831)
(66,266)	(Increase)/decrease in debtors	(9,990)
73	Decrease in inventories	239
129,066	Movement in pension liability	29,703
63,291	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	27,475
37,559	Other non-cash items charged to the net surplus or deficit on the provision of services	(18,075)
356,395	**Adjustment to deficit on provision of services for non cash movements**	**298,369**

* See note 41 & 44 of main SCC statement of accounts: Prior year restatements that outline the original disclosure & adjustment.

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

2022/23 £000		2023/24 £000
(60,495)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(33,187)
(100,589)	Any other items for which the cash effects are investing or financing cash flows Impairment and downward valuations	(105,957)
(161,084)	**Adjust for items included in deficit on provision of services that are investing and financing activities**	**(139,144)**

Note 9: Group cash flow statement – investment activities

2022/23 £000		2023/24 £000
(174,342)	Purchase of property, plant and equipment, investment property and intangible assets	(252,982)
436	Other payments for investing activities	-
60,495	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	33,105
100,587	Other receipts from investing activities	105,957
(12,814)	**Net cash flows from investing activities**	**(113,920)**

Note 10: Group cash flow statement – financing activities

2022/23 £000		2023/24 £000
-	Cash receipts of short and long-term borrowing	112,582
(12,431)	Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts	(10,610)
(73,706)	Repayments of short- and long-term borrowing	-
(86,137)	**Net cash flows from financing activities**	**101,972**

6. ANNUAL GOVERNANCE STATEMENT 2023/24

Introduction

Surrey County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. It needs to ensure that public money is safeguarded, properly accounted for, and used economically, efficiently, and effectively. To achieve this the council must ensure that it has a governance framework that supports a culture of transparent decision making.

The Accounts and Audit Regulations (2015), as amended by the Accounts and Audit (Amendment) Regulations 2021, require the council to conduct a review, at least once a year, on the effectiveness of its system of internal control and include an Annual Governance Statement reporting on the review with the Statement of Accounts.

The Annual Governance Statement describes significant organisational and service activities during 2023/24, progress against key issues raised in last year's governance review and identifies key areas of focus for 2024/25 and provides assurance the Council is complying with its Code of Governance and the CIPFA/SOLACE Framework "Delivering Good Governance in Local Government" (2016).

Core Governance Principles:

1	We will focus on **our purpose** to optimise the achievement of intended outcomes for Surrey and its local communities
2	Members and officers will behave with integrity and demonstrate a strong **commitment to ethical values**
3	We will ensure **openness** and effectively engage with our stakeholders
4	We will develop the **capacity and capability** of members and officers to continue to be effective
5	We will manage **risks and performance** through robust internal control and strong public financial management
6	We will implement good practice in **transparency and reporting** to deliver effective accountability

Organisational Governance

Organisation Strategy 2023 - 2028

The Council's Organisation Strategy sets out four Strategic Priorities in the context of ongoing significant challenges including the cost-of-living crisis, high inflation, global financial uncertainty, and government policy changes. It also enhances the clarity and centrality of 'No One Left Behind' as the guiding principle in tackling inequality and the existing four priority objectives.

Much of the Council's work is undertaken in partnership. At a strategic level, the governance of this work is dealt with through a number of strategic partnership boards, that bring a range of partner representatives together. These include, for instance, the Health and Wellbeing Board and Integrated Care Partnership, One Surrey Growth

Board, and the Greener Futures Board. These are in turn supported by a number of themed and more operationally focused partnership structures, including statutory Adults and Childrens' Safeguarding Boards.

Corporate Leadership Team (CLT)

During 2023/24, the Corporate Leadership Team (CLT) has experienced a number of changes following the previous Chief Executive's departure and some CLT posts are currently filled on an interim basis. An interim Head of Paid Service is in place until the new permanent Chief Executive joins the Council in August 2024. There are currently interim arrangements for the statutory s151 role and the Monitoring Officer roles.

The interim arrangements ensure all key corporate roles in the CLT are covered, whilst the Council undergoes the permanent recruitment for the vacant posts of Executive Director Adults, Wellbeing and Health Partnerships, Executive Director Finance and Corporate Services (Section 151), Executive Director of Customer, Digital and Change and the Director of Law and Governance (Monitoring Officer). The Executive Director of Environment, Infrastructure and Growth will become vacant in July 2024 so the directorate structure will be temporarily changing for 12 months to refocus the department and to ensure interim arrangements are put in place to cover the vast area of Waste, Land and Property, Economy and Growth, Highways, Infrastructure and Planning.

Executive Director Assurance Statement 2023/2024

This is the first year the council has requested Assurance Statements from the CLT. The statement covers 10 areas of Constitution of the Council and the Scheme of Delegation, Risk Management, Financial Management, Internal Controls, Counter Fraud Arrangements, Major Projects, Performance Management, HR Management, Information Governance and External Audits and Inspection. The statements provided a good level of assurance across all areas and the identified actions will be implemented by the relevant Executive Directors during 2024/25 as part of business as usual. Further guidance and support on the Council approach around the assurance will be developed to strengthen the approach to the statements.

Financial Management

The Council has worked diligently over recent years to improve its financial resilience, ensuring a stronger financial base from which to deliver services and putting in place robust financial management arrangements. We have reduced our financial risk, delivered service improvement, ambitious capital investment and transformation programmes and built back depleted reserves.

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

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

During 2023/24, in recognition of the financial pressures being experienced and the expectation that these will continue into 2024/25, a number of cost control mechanisms were put in place, including recruitment and procurement controls. Building on the work undertaken as part of the Finance Improvement Programme, a refresh of the Partnership Agreement for Excellent Financial Management was undertaken, in consultation with representatives from across the organisation. The Partnership Agreement sets out the respective roles and responsibilities of the Finance Service and Budget Holders to ensure clear financial management responsibilities and mutual expectations. We continue to be committed to the Finance Academy, developing financial management capabilities for finance business partners, budget holders, councillors and all those engaged in financial activity. Budget Accountability Statements were issued to all Accountable Budget Owners in respect of both capital and revenue budgets.

We have strong governance arrangements in place whereby the financial position, (revenue and capital) including financial risks and associated mitigations are discussed monthly at Departmental Leadership Teams, Corporate Leadership Team and Cabinet. Capital has its own robust governance arrangements in place. All capital programmes of work undertaken by the Council form part of one of three Strategic Capital Groups (SCG) which meet on a monthly basis to discuss and approve business cases within their delegation (up to £250k) and project and programme delivery. Programmes outside of SCG delegation (over £250k and up to £1m) are discussed at the Council-wide monthly Capital Programme Panel which contains representation from each SCG and specific project/programme managers to discuss topics of relevance. Business cases over £1m are discussed and agreed by Cabinet.

The Council has a robust financial platform to build on, having taken difficult decisions in the past. Our focus will continue to be on protecting vital services, we need to maintain a persistent focus on both transformation and improved service delivery, with an ongoing need to be forward looking as well as delivering the efficiencies required to achieve a balanced budget position each year. The Council will need to continue to demonstrate a commitment to strong financial management in the years to come to ensure that the Council's finances are an enabler of our mission to ensure 'No One Left Behind.'

Transformation

The Council has been on a transformation journey since 2018, delivering significant financial efficiencies and improving services for residents. Due to the ongoing financial challenges and requirement for change, the Council has recognised a need for a new approach to delivering financial efficiencies and ways of working to support a balanced Medium-Term Financial Strategy.

Work to prioritise the key transformation priorities and governance approach was undertaken during the year and five top priority programmes have now been agreed by Cabinet and Corporate Leadership Team (Children's Social Care transformation, Special Education Needs (SEND), Adult Social Care transformation, Customer transformation, Core Function Redesign). Revised transformation governance arrangements have been implemented with a new Strategic Transformation, Improvement and Assurance Board (STIAB) to oversee and assure our key top level transformation programmes, chaired by the Leader, and includes relevant Cabinet Members.

Business cases for the five priority programmes have either been developed or are in development and clearly set out the relevant investment and benefits the programmes will deliver. Savings are monitored through the Medium-Term Financial Strategy budget monitoring process, are tracked monthly and reported to Corporate Leadership Team and STIAB, as well as quarterly to Resources and Performance Select Committee. There continue to be significant risks associated with delivery of the programmes which are regularly monitored and reported through the governance arrangements.

Workforce

The People Strategy Delivery Plan for 2023 was reviewed quarterly by the People Strategy Performance Board and programmes of work had Senior Sponsors to ensure that work was kept on track and delivered. The People Strategy was audited internally in December 2023 with a Reasonable Assurance opinion confirming there are clear strategic priorities addressing how the Council plans to develop both the capacity and capability of the workforce to achieve its strategic priorities. This is supported by a flexible plan setting out the action the Council will take to ensure the delivery of the strategy, which can be adjusted if required, enabling the Council to react as workforce priorities change. It also found that an appropriate governance structure is in place allowing for effective oversight of the work being conducted to deliver the People Strategy. The Delivery Plan is being refreshed for 2024/25 and will be reviewed and measured by the People Strategy Performance Board bi-monthly.

In 2023/24 there was a key focus on under-represented groups within the workforce and three major reviews were undertaken by external experts with regards to the lived experience of colleagues from the LGBTQ+ community, disabled colleagues, and minority ethnic group colleagues. These reviews have been assessed by the Equality, Diversity and Inclusion Board Members and an action plan has been created to ensure the working environment and experience of colleagues within these specific groupings is improved and equitable to those across the organisation.

The Employee Pulse Survey showed us that the majority (85%), of the workforce are proud to work for Surrey and are trusted to perform their roles effectively. The majority of people know how to report bullying, harassment or discrimination and have regular open conversations with their line manager. A 'You Said…We Did' Forum was established to review the results and discuss areas for improvement, which are overseen by the People Strategy Performance Board for consideration and approval.

The emphasis on quarterly Performance Conversations was endorsed by the Chief Executive in November 2023, with the roll out across the organisation of a new approach throughout the 24/25 financial year, which includes a final performance rating to reflect the individual's annual performance. This new approach will be supported by cross-organisational training for 1,700 line managers to ensure the performance of their teams is maximised.

The Council has introduced recruitment controls to minimise the number of roles that are advertised unnecessarily and to encourage teams to look at different ways of covering the work that is needed. The recruitment controls are not applied to public-facing roles. In addition, a Mutually Agreed Resignation Scheme (MARS), has been applied to some services as part of a range of options for those who are seeking to leave the Council. A blanket approach has not been applied, but the option for some to apply via a business case will be considered in those services where significant function re-design is taking place.

Digital Business and Insights (DB&I) Programme and MySurrey

The DBI Programme went live on 6th June 2023 to deliver the MySurrey ERP system, integrating Finance, Procurement and HR. All elements expected to go-live (corporate and schools) did, as planned on 6th June. The Programme was governed by a Programme Board chaired by the Deputy Chief Executive and Executive Director of Resources with representation from senior officers across all Directorates, our Technology Partners and programme representatives until its closure on 15th December 2023. Closure was decided by the Board against a set of exit criteria; a process established to enter or exit each critical stage of the process. During this period a Sponsors Group was also part of the governance with representation from the Council and the Technology Partners where issues and blockages were escalated. Given the scale and complexity of a Council the size of Surrey, there were some issues upon go-live as expected, especially around payroll and pensions. Given their criticality, a rapid response team was pulled together to stabilise the programme from October 2023 for a period of about three months and then moved into a transition period to the end of the financial year. The stabilisation period was governed by a Transition to Business As Usual Steering Group chaired by the Director of Finance, Corporate and Commercial and Chief Digital & Information Officer deputising. As at the start of 2024/25 there are still a pipeline of technical fixes outstanding which are impacting on a several areas within the system, including payroll and pensions services affecting Council employees and external customers. These are being prioritised for completion with oversight by the MySurrey Board.

SCC company governance

The Council has four wholly owned LATCOs; Hendeca Group Ltd, Surrey Choices Ltd, Halsey Garton Residential Ltd and Halsey Garton Property Ltd. Oversight of these companies is provided through the officer-led Shareholder and Investment Panel (SHIP) and Member-led Strategic Investment Board (SIB) (Cabinet Sub Committee). The SIB is responsible for appointing and removing directors, approving annual business plans, and also reviewing the overall performance of the trading companies, including their financial performance. The SIB also provides an annual mid-year report to Cabinet.

The Select Committee Resources and Performance committee has recently reviewed the areas of risk, returns to the council, and any changes in strategy. Risk within the largest investment (Halsey Garton Property Ltd), has been a particular focus, in light of a volatile commercial property market and macro-economic factors. As a contingency in the event of an adverse event impacting the Company's ability to service all its debt to the Council, a Revolving Investment and Infrastructure Fund is already in place to mitigate any resulting revenue impact, with an amount of £11.1m.

The Halsey Garton Property Ltd exit strategy (should the Government legislate to prevent Council's holding commercial investments) was also reviewed. The committee was advised that legislative changes in recent years have been aimed at restricting new investment for commercial gain and it is thought unlikely by our advisors that Government would take legislative steps that impact existing investments. The Council ensures it is not overly reliant on investment income and that its overall debt level, including investments, is affordable.

Halsey Garton Property Ltd and Halsey Garton Residential Ltd both underwent major strategic reviews that were presented to the Strategic Investment Board during the year. Two further subsidiaries, Surrey Choices Ltd and Hendeca Group Ltd, either underwent or commenced financial sustainability reviews to test their viability in the medium term, with results also having been or to be provided to the Strategic Investment Board.

The Council also has minority shareholding in the companies of TRICS Consortium Ltd and UK Municipal Bonds Agency plc and during the 2024/2025 financial year the Council will undertake a review of the governance in terms of oversight companies and report to SIB.

Service-specific governance considerations

Children's Services

Improvement work across children's services has continued at pace. The number of children subject to a statutory plan has decreased in 2023/24 in line with expectations around a more consistent application of the Family Safeguarding practice model. Frontline practice has continued to improve in many areas, and we have made a fundamental shift in approach to early support and prevention, establishing our 'continuum of support' model to ensure that children and families receive the right support, at the right time by the right service. The children's social care transformation programme has delivered its full financial benefits in the 2023/24 financial year. Ofsted registrations were received for two of three new purpose-built children's homes, which will ensure that more of Surrey's children are placed closer to home. The property market has remained challenging, both in terms of supply and the length of the purchasing process, which has subsequently impacted timescales and milestones for the delivery of some capital projects.

Work to recruit and retain staff in areas of skills shortage has accelerated, with a number of new initiatives implemented including targeted market supplements and 'grow our own' workforce approaches, which have helped to reduce voluntary turnover. However, social work recruitment remained a national and local challenge and continued to impact our target of 80% permanent social worker workforce, which we have not been able to meet.

The report letter following a focussed visit by Ofsted in April 2024, in relation to our Child in Need and Child Protection work, was generally positive. Following its publication on 17 May, the service is incorporating the two recommendations into our ongoing improvement programme.

Special Educational Needs (SEND)

The 2023 Local Area SEND Inspection found that the local area partnership's arrangements "lead to inconsistent experiences and outcomes for children and young people with special educational needs and/or disabilities (SEND)" and made four recommendations for areas for improvement. Since the inspection, work has continued to deliver these and our already planned improvements, including creating more state-maintained specialist places; decreasing reliance on costly independent sector provision; promoting greater inclusion of children and young people (CYP) in mainstream settings; establishing an early identification and support offer; and enhancing relationships to reduce overall demand for statutory support whilst improving the timeliness of education, health and care plans (EHCPs) and reviews. A total of 43 capital projects have now been delivered, providing 920 additional specialist places increasing the state-maintained specialist education estate by 28%. Concurrently, the EHCP accelerated recovery plan has been successfully implemented, with work on track to achieve at least 58% EHCP timeliness by the end of May 2024. The discovery phase of the end-to-end review of the 20 week statutory EHCP process has been completed and the service is working closely with partners to implement findings. This includes work to improve the consistency and coordination of services, increase staff capacity across AN&D services, improve supervision and development of staff, and strengthen communications and engagement with families.

Delivery of the Safety Valve agreement has remained on track, with further work on cost containment mapping a priority. Ongoing construction market volatility also remains a key risk for the programme.

Home to School Travel Assistance

Significant transformation and improvement activity has been delivered in the home to school transport service in 2023/24. In the last 12 months, 97% of applications were processed within the 20 working day target. Service efficiency savings have been made this year of approximately £3m. The savings have been realised through the extension of Personal Travel Budgets, a review of safe routes, cost recoupment, and re-optimisation of routes. Other key service developments include: a strengthened appeals function that ensures stringent application of policy, implementation of a robust communication strategy with families and providers, and technological developments undertaken with the Council's robotics team to automate laborious back-office processes. Despite these improvements, expenditure has been significantly affected by inflationary pressures in the market and by growth in demand for services. Applications for home to school travel assistance were 17% higher in January 2024 than at the same point in 2023. In the light of these ongoing challenges the service will implement an oversight board in 2024/25 to assure members that all possible efficiencies are being made.

Adult Social Care

There have been significant changes with the creation of a new directorate Adults, Wellbeing and Health Partnerships (AWHP), which has brought Adult Social Care, Public Health, Transformation and Health Integration, and some Community functions for example our Local Area Coordination. Care Quality Commission (CQC) regulation of Local Authorities Care Act responsibilities has now been introduced nationally, and Surrey County Council is now in the process of assessment, with this to be completed during the next 4 months.

In Surrey, like other areas, the complexity of need and demand for adult social care continues, and to respond effectively and support continuous improvement, the adult social care leadership structure has been refreshed, alongside refreshing governance arrangements. This has driven a restructure of adult social care leadership which was implemented on 1 May 2024. This includes additional capacity to support transformation, together with capacity and capability to deliver on the directorate's strategic ambitions, and increased capacity and focus on safeguarding adults and quality assurance.

Surrey Fire and Rescue Service

In Spring of 2023, His Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) undertook a third full inspection of Surrey Fire and Rescue Service (SFRS), and in September 2023, we received our inspection report. One Cause of Concern (CoC) regarding the effectiveness of the Risk-Based Inspection Programme (RBIP) was highlighted. Following significant efforts to address this concern, with a comprehensive review and update of our RBIP in line with the National Fire Chief Council's methodology, the CoC was discharged in April 2024.

The inspection report also identified 24 Areas for Improvement (AFIs) and the service has developed an Inspection Improvement Plan (IIP) to address each recommendation. The IIP is updated on a quarterly basis and shared with the Service Leadership Team (SLT), the Cabinet Portfolio Holder and the HMICFRS Service Liaison Lead. Progress against the IIP is reported via the Transformation Programme Board. The IIP is also scrutinised by the Communities, Highways and Environment Select Committee twice a year, along with the performance of the service against its key performance indicators.

River Thames Scheme

The River Thames Scheme (RTS) is an integrated scheme which delivers both blue and green infrastructure, with each element supporting the other, to deliver this important scheme. A river channel will be built in two sections in Spelthorne and Runneymede with access to open green spaces and connections with wildlife. In addition, it will support a more sustainable travel network and a network of high-quality habitat to achieve biodiversity net gain.

RTS governance arrangements are formalised on the basis that both the Environment Agency (EA) and Surrey County Council (SCC) are joint clients for the scheme and are secured by a bespoke Collaboration Agreement 1 (CA1) between the EA and SCC, which outlines responsibilities for funding and delivering the scheme. The CA principles were approved by SCC Cabinet in 2021 to establish governance and decision making on RTS and terms for investment.

The key principles of the governance are:

• A scheme of delegation, with Project Sponsors empowered to act on behalf of their respective organisations.

• A Strategic Delivery Board (SDB) to enable joint decision making by the EA and SCC. Membership consists of SCC officers and EA equivalents including the Executive Director of Environment, Infrastructure and Growth, Director of Infrastructure and Major Projects, Director of Environment.

• Delegation from the SDB to the project team via Senior Client representatives and Senior Users to a Project Director to enable the project to deliver in an agile and efficient way.

• A single integrated delivery team and scheme Project Management Office (PMO) on behalf of both the EA and SCC.

As well as the above, there is a staged approach to delivery, with clear Gateways to control delivery, regular briefings with SCC lead Councillors, along with scheduled meetings with district and borough partners, and reports to Cabinet when an appropriate decision is required from Members. Our partners (amongst others) include; Runnymede Borough Council, Spelthorne Borough Council and Thames Water.

Governance Systems Assurance

Corporate governance systems

The annual review of corporate governance policies and process was carried out by the Council's Governance Panel, and Internal Audit completed a review of corporate governance. Both reviews concluded that governance systems are in place with many being updated and communicated throughout the year. The reviews recommended that further work could improve awareness and signposting of key governance systems, including through induction, to aid understanding and embedding across the organisation. Consequently, a review of Corporate and Directorate Induction Arrangements has been included within the Annual Internal Audit Plan for 2024/25.

The Council's Risk Management Strategy has been reviewed during the year and was approved by the Audit and Governance Committee in September 2023. The Corporate Risk Register is reviewed monthly by the Corporate Leadership Team and quarterly by Cabinet. There is also a 6-monthly review of the risk management arrangements by the Audit and Governance Committee.

The council's External Auditor's report on value for money published in January 2024, which looked at the year 2022/23, reported improvements have been made in the areas of Children's services, Pensions Administration and risk management. Further recommendations were made to continue to embed good governance and monitor progress in Children's Services.

The Council's financial management arrangements during 2023/24 fully complied with CIPFA's Statement on "The Role of the Chief Finance Officer" (CIPFA, 2010). The Deputy Chief Executive and Executive Director of Resources (s151) met his financial responsibilities during the year and ensured financial management arrangements were in place. Up until March 2024 he reported directly to the Chief Executive and had regular contact with the Leader and key Members, Monitoring Officer, Chief Internal Auditor and other Executive Directors. From March 2024, the Director of Finance – Corporate and Commercial became interim s151 officer and reports directly to the Interim Chief Executive.

An assessment of compliance with the CIPFA Financial Management Code was undertaken during the year. The review concluded that the Council demonstrated overall compliance with the standards, but evidence could be strengthened in some areas including capital training and guidance. There are also several areas where, as a result of the focus on financial management capabilities over the last few years, the Council's arrangements exceed the expected standards.

The Department for Levelling Up, Housing & Communities (DLUHC) have recently consulted on a new set of statutory guidance 'Best Value Standards and Intervention.' These have been developed to provide greater clarity to the local government sector on how to fulfil the Best Value Duty, by describing what constitutes best value, the standards expected and the models of intervention available to the Secretary of State in the event of a failure to uphold these standards. The guidance sets out seven best value themes, including characteristics of a well-functioning local authority and indicators used to identify challenges that could indicate potential failure. Pending publication of the final guidance, an initial self-assessment of the principles was undertaken which provided assurance.

The Chief Internal Auditor has provided Reasonable Assurance that the council has in place an adequate and effective framework of governance, risk management and internal control for the period 1 April 2023 to 31 March 2024. Overall, whilst the majority of audit opinions issued in the year were generally positive, internal audit activity identified a number of significant areas where the operation of internal controls has not been fully effective, as reflected by the eight partial assurance opinions issues in the year (excluding schools audits). In addition, a further four audits of partial assurance were in draft report stage at the year-end, and two audits with fieldwork largely completed also likely to be of partial assurance. Again, some of these reviews fell into areas of significance in terms of financial materiality to the Council, or in areas of significant service delivery. No minimal assurance audits were issued in the past year and all audits of partial assurance will be subject to follow-up audits in 2024/25 to ensure the expected improvements have occurred.

The Council's governance arrangements for 2023/24 are regarded as fit for purpose and are in accordance with the governance framework shown in Annex A. The Council is committed to maintaining these arrangements and ensuring that the improvements required are prioritised and sufficiently resourced. The action plans below show progress on the improvement areas identified last year and the areas for improvement this year.

2022/23 Annual Governance Statement Action Plan – Follow Up

Issue identified during 2022/23	Action taken during 2023/24
DB&I programme - MySurrey To ensure MySurrey is implemented effectively and embedded during 2023/24	DB&I go-live on 6th June 2023 against established set of exit criteria as agreed by the Board Closure of the DB&I programme at the Board on 15th December, against an established set of exit criteria as agreed by the Board Rapid Response team established in October 2023 for a period of c3 months to stabilise the programme (especially in the areas of payroll and pensions) and move towards Transition to BAU Established Transition to BAU Steering Group to govern the transition of activity to functional areas Established a Client Engagement & Development Function to manage change programmes to optimise the system and manage contracts and client relationships on 18th March 2024
Special Educational Needs	Continued to deliver special educational needs and/or disabilities (SEND) areas for improvement. Delivered 43 capital projects, providing 920 additional specialist places. Implemented the education, health and care plans (EHCP) accelerated recovery plan. Delivery of the Safety Valve agreement has remained on track.
Home to School Travel Assistance	Service efficiency savings have been made this year and 97% of applications were processed within the 20 working day target. The appeals function has been strengthened. A robust communication strategy with families and providers has been implemented.

Issue identified during 2022/23	Action taken during 2023/24
	Technological developments undertaken to automate back-office processes.
Subject Access Requests Improved SARs performance against statutory targets	Following implementation of the actions set out performance has risen and continues to be monitored. The Office of the Information Commissioner (ICO), confirmed in October 2023 that they were satisfied by the steps taken by the Council and no longer required regular progress updates.
Planning Committee procedures To implement improvements recommended by the Planning Advisory Service.	At its meeting on 27 September 2023, the Planning & Regulatory Committee approved the proposed changes recommended by the Planning Advisory Service, which Council approved on 10 October 2023. The changes are now embedded, and the Planning Committee is operating effectively.
Adult Social Care	Creation of a new directorate Adults, Wellbeing and Health Partnerships (AWHP). The adult social care leadership structure has been refreshed, alongside refreshing governance arrangements and a restructure of adult social care leadership which was implemented on 1 May 2024.

2023/24 Annual Governance Statement Action Plan

Issue identified during 2023/24	Action to be taken during 2024/25
Childrens Services	• Pursue the DfE-sponsored Family Justice 'Trailblazer' programme, to reduce time taken in family court proceedings. • Deliver a new Adolescent Service, providing wrap around and 'Edge of Care' services to support children to live at home wherever safe and appropriate. • Embed a new Intensive Family Support Service (IFSS), providing intensive support for families in Surrey where there are interconnecting needs affecting the whole family. • Implement Foster Carers' Charter and launch a new foster care portal to enable communication between the council and its Foster Carers. Engage in the DfE-sponsored, South East Regional Foster Care Recruitment Programme. • Continue work to expand the in-house children's residential estate. • Continue work to strengthen our partnership front-door, to improve coordination and information sharing between agencies. • Develop an Early Help service specifically for Children with Disabilities. • Improve the quality of letters before proceedings and the quality and consistency of direct work with children.

Issue identified during 2023/24	Action to be taken during 2024/25
Special Educational Needs To improve SEND service	• Complete the implementation of findings from the End to End review. • Continue to deliver the accelerated EHCP recovery plan. • Deliver planned capital projects and a refreshed capital programme scope and financial proposals to Cabinet in June. • With sponsors, review and implement an updated All Age Autism Strategy. • Deliver an impact and outcomes evaluation framework, to be agreed with families and children and young people. • Embed a new Executive Leadership Group to provide assurance to the AND Partnership Board. • Launch a Continuum Of Provision (COP) Programme to provide a focus for a more inclusive system in Surrey.
Home to School Travel Assistance	• Implement an oversight board to provide members with assurance and oversight of the continuing delivery of efficiencies.
Adult Social Care	• Ensuring that within available resource continuing to improve the delivery of our Care Act Duties and outcomes for Surrey people. • Refocusing our workforce strategy and implementation plans to include our responsibilities for the wider sector adult social care workforce. • Responding to areas that might arise following completion of the Care Quality Commission (CQC) assurance process. • Continuing to work with our health partners, and people who use services, and informal carers.
MySurrey	Ensure effective transition of activities to all functional areas and close down of Transition to BAU Steering Group by end of May 2024. Complete procurement and implementation of a Managed Services support model to deal with technical fixes .

Tim Oliver

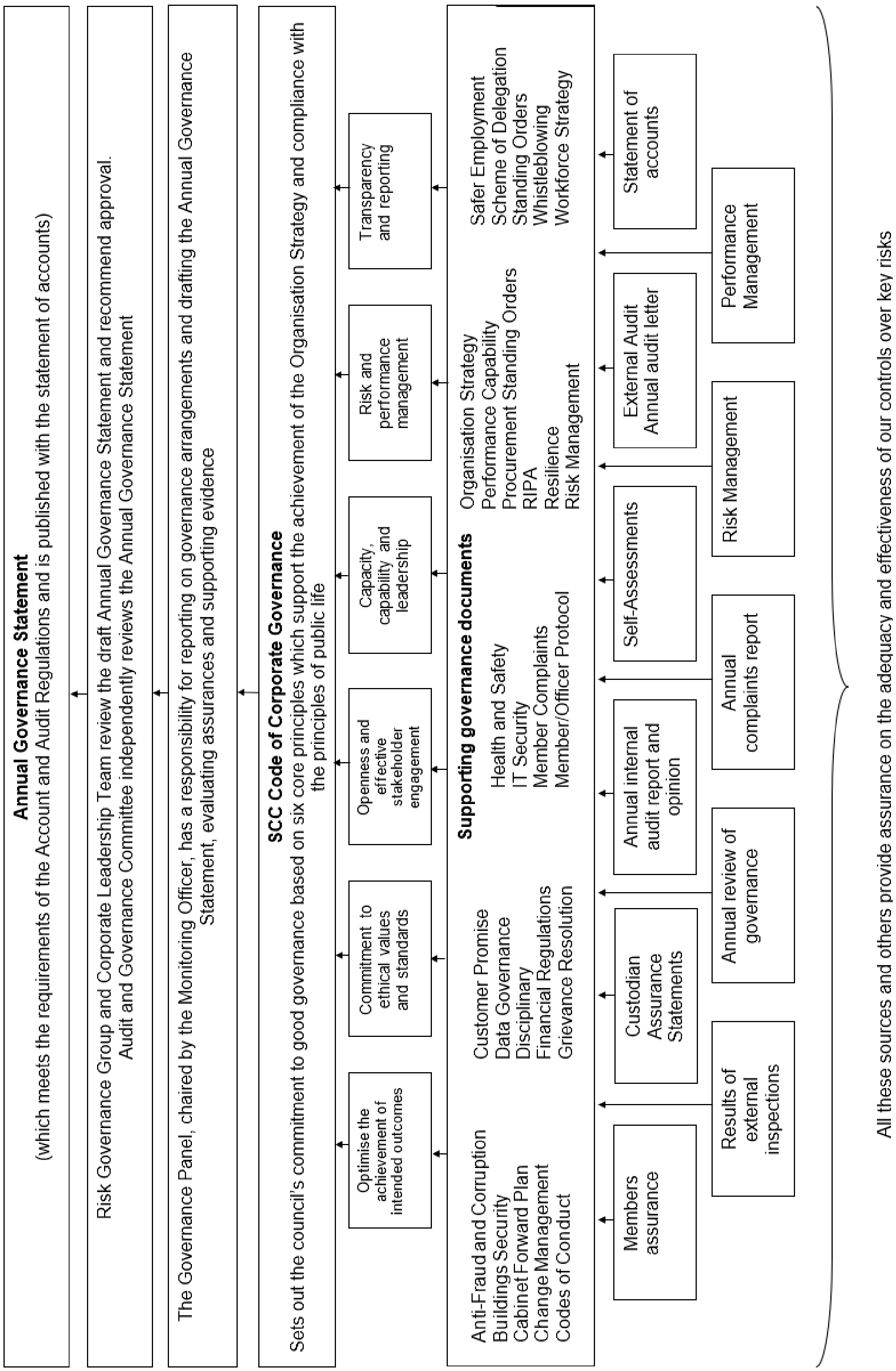
Leader of the Council

July 2024

Michael Coughlin

Head of Paid Service

July 2024



Annual Governance Statement
(which meets the requirements of the Account and Audit Regulations and is published with the statement of accounts)
Risk Governance Group and Corporate Leadership Team review the draft Annual Governance Statement and recommend approval.
Audit and Governance Committee independently reviews the Annual Governance Statement
The Governance Panel, chaired by the Monitoring Officer, has a responsibility for reporting on governance arrangements and drafting the Annual Governance Statement, evaluating assurances and supporting evidence
SCC Code of Corporate Governance
Sets out the council's commitment to good governance based on six core principles which support the achievement of the Organisation Strategy and compliance with the principles of public life
Optimise the achievement of intended outcomes
Commitment to ethical values and standards
Openness and effective stakeholder engagement
Capacity, capability and leadership
Risk and performance management
Transparency and reporting
Supporting governance documents
Anti-Fraud and Corruption
Buildings Security
Cabinet Forward Plan
Change Management
Codes of Conduct
Customer Promise
Data Governance
Disciplinary
Financial Regulations
Grievance Resolution
Health and Safety
IT Security
Member Complaints
Member/Officer Protocol
Organisation Strategy
Performance Capability
Procurement Standing Orders
RIPA
Resilience
Risk Management
Safer Employment
Scheme of Delegation
Standing Orders
Whistleblowing
Workforce Strategy
Members assurance
Custodian Assurance Statements
Annual internal audit report and opinion
Self-Assessments
External Audit Annual audit letter
Statement of accounts
Results of external inspections
Annual review of governance
Annual complaints report
Risk Management
Performance Management
All these sources and others provide assurance on the adequacy and effectiveness of our controls over key risks

7. FIREFIGHTERS PENSION FUND

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

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

Net Asset Statement

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

Note 1 – General principles.

Legal status

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

Fund operations

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

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

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

Significant accounting policies

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

Note 2 - Contributions receivable

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

Note 3 - Benefits and refunds

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

Note 4 - Transfer values

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

Note 5 – Top up grant

The fund was topped up by Government grant of £11.2m in 2023/24 (£10.4m in 2022/23) as contributions were insufficient to meet the cost of pension payments due for the year. £10.0m was received in year leaving an outstanding balance of £1.2m due from government (£4.0m in 2022/23)

Surrey Pension Team

Providing our customers with a better tomorrow

Accounts

2023/24

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SURREY COUNTY COUNCIL ON THE PENSION FUND'S FINANCIAL STATEMENTS

Opinion

We have audited the Pension Fund ("the Fund") financial statements for the year ended 31 March 2024 under the Local Audit and Accountability Act 2014 (as amended). The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 26.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the Fund during the year ended 31 March 2024 and the amount and disposition at that date of the its assets and liabilities as at 31 March 2024; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Council as administering authority for the Pension Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Deputy Chief Executive and Executive Director – Resources (S151 Officer) use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the authority's ability to continue as a going concern for a period of 12 months from when the Fund's financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Deputy Chief Executive and Executive Director – Resources (S151 Officer) with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the authority's ability to continue as a going concern.

Other information

The other information comprises the information included in the Statement of Accounts 2023/24, other than the financial statements and our auditor's report thereon. Deputy Chief Executive and Executive Director – Resources (S151 Officer) is responsible for the other information contained within the Statement of Accounts 2023/24.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended);
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended);
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended);
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended); or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended).

We have nothing to report in these respects

Responsibility of the Deputy Chief Executive and Executive Director – Resources (S151 Officer)

As explained more fully in the Statement of the S151 Officer's Responsibilities set out on page16, the Deputy Chief Executive and Executive Director – Resources (S151 Officer) is responsible for the preparation of the Coucil's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, and for being satisfied that they give a true and fair view. The Deputy Chief Executive and Executive Director – Resources (S151 Officer) is also responsible for such internal control as the Deputy Chief Executive and Executive Director – Resources (S151 Officer) determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Deputy Chief Executive and Executive Director – Resources (S151 Officer) is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Administering Authority either intends to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with Deputy Chief Executive and Executive Director – Resources (S151 Officer).

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Fund and determined that the most significant are the Local Government Pension Scheme Regulations 2013 (as amended), and The Public Service Pensions Act 2013.
- We understood how the Fund is complying with those frameworks by making enquries of the management. We corroborated this through our reading of the Pension Committee minutes, through enquiry of employees to confirm Pension policies, and through the inspection of employee handbooks and other information.
- Based on this understanding, we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiries of the management for their awareness of any non-compliance of laws or regulations, inspecting correspondence with the Pensions Regulator and review of minutes.
- We assessed the susceptibility of the Fund's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements and documenting the controls that the Fund has established to address risks identified, or that otherwise seek to prevent, deter or detect fraud.
- In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any identified significant transactions that were unusual or outside the normal course of business. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- To address our fraud risk we tested the consistency of the investment asset valuation from the independent sources of the custodian and the fund managers to the financial statements.
- The Fund is required to comply with The Local Government Pensions Scheme regulations, other legislation relevant to the governance and administration of the Local Government Pension Scheme and requirements imposed by the Pension Regulator in relation ot the Local Government Pension Scheme. As such, we have considered the experience and expertise of the engagement team including the use of specialists where appropriate, to ensure that the team had an appropriate understanding of the relevant pensions regulations to assess the control environment and consider compliance of the Fund with these regulations as part of our audit procedures.

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

Use of our report

This report is made solely to the members of Surrey County Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Surrey County Council and its members as a body, for our audit work, for this report, or for the opinions we have formed.

Hassan Rohimun (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Manchester
28 February 2025

Surrey Pension Fund Accounts 2023/24

Fund Account

£000	Note	2023/24	2022/23
Contributions receivable	7	213,194	207,586
Transfers in	8	23,413	36,287
Contributions Sub-total	-	**236,607**	**243,873**
Benefits payable	9	(216,611)	(176,888)
Payments to and on account of leavers	10	(30,675)	(26,341)
Benefits Sub-total	-	**(247,286)**	**(203,229)**
Net additions from dealings with members	-	**(10,679)**	**40,644**
Management expenses	11	(13,379)	(19,765)
Net additions including fund management expenses	-	**(24,058)**	**20,879**
Return on investments	-	-	-
Investment income	12	37,997	41,850
Taxes on income	-	(491)	(1,020)
Profit and (losses) on disposal of investments and changes in the value of investment	17	559,901	(127,825)
Net return on investments	-	**597,407**	**(86,995)**
Net increase in the net assets available for benefits during the year	-	**573,349**	**(66,116)**
Opening net assets of the scheme	-	5,291,396	5,357,512
Closing net assets of the scheme	-	**5,864,745**	**5,291,396**

Net Assets Statement

£000	Note	31 March 2024	31 March 2023
Investment assets	14	5,818,738	5,240,381
Investment liabilities	14	(15,238)	-
Total net investments	-	**5,803,500**	**5,240,381**
Current assets	21	70,018	58,896
Total assets	-	**5,886,100**	**5,299,277**
Current liabilities	22	(8,773)	(7,881)
Net assets of the fund available to fund benefits at the end of the reporting period	-	**5,864,745**	**5,291,396**

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

Notes to the Accounts

1. Description of the Fund

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

(i) General

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

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

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

(ii) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the Surrey Pension Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund.
- Admitted bodies, which are other organisations that participate in the Fund under an admissions agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing of services to the private sector.

Membership details are set out below:

Membership Details	**31 March 2024**	**31 March 2023 *Restated**
Number of employers	355	345

Employees in scheme	**31 March 2024**	**31 March 2023 *Restated**
Surrey County Council	16,101	16,454
Other Employers	20,275	19,360
Total Employees in the Scheme	**36,376**	**35,814**

Pensioners	**31 March 2024**	**31 March 2023 *Restated**
Surrey County Council	15,947	15,469
Other Employers	14,997	14,421
Total Pensioners	**30,944**	**29,890**

Deferred Pensioners	**31 March 2024**	**31 March 2023 *Restated**
Surrey County Council	35,953	35,264
Other Employers	27,062	25,725
Total Deferred Pensioners	**63,015**	**60,989**
Total Number of Members	**130,335**	**126,693**

(iii) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the Local Government Regulations 2013 as disclosed in the introduction and ranged from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2024. Employers' contributions are set following triennial actuarial funding valuations. The last such valuation was at 31 March 2022 and new rates applied from April 2023.

The employer contribution rates for 2023/24 ranged from 12.7% to 43.6% of pensionable pay.

(iv) Benefits

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

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

2. Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the 2023/24 financial year and its position at the year end at 31 March 2024. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

Paragraph 3.3.1.2. of the Code requires disclosure of any accounting standards issued but not yet adopted. This requirement applied to accounting standards that come into effect for financial years commencing on or before 1 January of the financial year in question (i.e. on or before 1 January for 2024/25). For this disclosure the standards introduced by the 2024/25 Code include:

a. IFRS 16 Leases issued in January 2016

b. Classification of Liabilities as Current or Non-current (Amendments to IAS 1) issued in January 2020

c. Lease Liability in a Sale and Leaseback (Amendments to IFRS16) issues in September 2022

d. Non-current Liabilities with Covenants (Amendments to IAS 1) issued in October 2022

e. International Tax Reform: Pillar Two Model Rules (Amendments to IAS 12) issued in May 2023

f. Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7) issued in May 2023

Implementation of the above accounting standards is not expected to have a material impact or is not applicable to the pension fund.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits valued according to the International Accounting Standard (IAS) 26 is disclosed at note 20 of these accounts.

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

The Fund does not anticipate a significant impact on the Fund's cashflow or balance sheet position over the next couple of years as a result of the Covid-19 pandemic. The fund has not received any requests from employers for a contribution deferral and continues to receive contributions from all employers in line with the rates set in 2022 actuarial valuation.

The Fund's cashflow monitoring shows that the cashflows from dealing with members is neutral and is expected to become cashflow negative by 2028.

Even if the cashflow position from dealing with members turns negative the Fund generates investment income that can also be used to pay pensions without the need to sell assets at a potentially suboptimal time. The Fund has a level of assets that would be able to cover pension payments for over a decade at current pension payment levels even id no further income was received.

The Fund is subject to an actuarial valuation every three years so any deterioration in the funding position leasing up the valuation would be factored in when setting contribution rates for employers to ensure the fund is able to meet all its future obligations. The funding level of the Pension Fund as assessed by the Fund's actuary at the 2022 valuation was 102%. Therefore, management are assured the pension fund remains a going concern.

3. Summary of significant accounting policies

Fund account – revenue recognition

(i) Contribution income

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

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

(ii) Transfers to and from other schemes

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

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

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

(iii) Investment income

- Interest income is recognised in the Fund account as it accrues using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount premium, transaction costs or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.
- Dividend income is recognised on the date the shares are quoted as ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net asset statement as a current financial asset.
- Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net asset statement as a current financial asset.
- Changes in the value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.
- Distributions and drawdowns from private equity partnerships are accounted for according to guidance from the private equity manager as to the nature of the distribution or drawdown. Income and purchases and sales are recognised at the date the capital call or distribution falls due.

Fund account – expense items

(iv) Benefits payable

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

(v) Management expenses

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

- **Administrative expenses:** Pension administrative expenses reflect the costs incurred in the payment of pensions and other benefits, the maintenance of member records and provision of scheme and entitlement information. Costs incurred in relation to specific employers are recharged to those individual organisations and therefore excluded from the accounts. All administration expenses are accounted for on an accruals basis. The relevant staffing costs of the pension administration team are recharged to the Fund. Management, accommodation and other overheads are apportioned to the Fund in accordance with council policy.
- **Investment management expenses:** All investment management expenses are accounted for on an accruals basis. Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under management and therefore increase or reduce as the value of these investments change.
- **Oversight and governance expenses:** Governance costs reflect those expenses which fall outside the parameters of administrative or investment expenses. All oversight and governance expenses are accounted for on an accruals basis with associated staffing and overhead costs apportioned in accordance with council policy.

(vi) Taxation

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

Net assets statement

(vii) Financial assets

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

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

(viii) Foreign currency transactions

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

(ix) Derivatives

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

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

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

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

(x) Cash and cash equivalents

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

(xi) Loans and receivables

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

(xii) Financial liabilities

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

(xiii) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirement of IAS 26 and relevant actuarial standards.

As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net asset statement.

(xiv) Additional voluntary contributions

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

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

4. Critical judgements in applying accounting policies

There are no critical judgements in applying accounting policies.

5. Sources of estimation uncertainty

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

Item	Uncertainties	Effect if actual results differ from assumptions
Private equity	Private equity investments, both limited partnership and fund of funds (pooled investments), are disclosed at fair value, provided by the administrators of the funds. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation. These are usually classified as Level 3 Investments.	There is more uncertainty regarding the valuation of these asset types and could potentially be subject to material adjustments. Sensitivity analysis is provided in note 16 to the accounts.
Property Unit Trust	Valuation techniques are used to determine the carrying amount of pooled property funds.	There is more uncertainty regarding the valuation of these asset types and could potentially be subject to material adjustments. Sensitivity analysis is provided in note 16 to the accounts.
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, salary increase, changed in retirement age, morality rates and returns on fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	The actuarial present value of promised retirement benefits at 31 March 2024 is £5,740m. The sensitivities regarding the principal assumptions used to measure the obligations are as follow: • a 0.1% p.a. reduction in the discount rate would increase the promised retirement benefits by approximately 2% or £104m • a 0.1%p.a. increase in salary growth would increase the promised retirement benefits by approximately £4m • a 0.1% p.a. increase in the pension increase rate (CPI) would increase the promised retirement benefits by approximately 2% or £101m

6. Events after the reporting date

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

There are no events after the reporting date that needs to be disclosed as part of the financial statement.

7. Contributions receivable

By Category

£000	2023/24	2022/23
Total Employees' Contributions	**51,833**	**49,142**
Normal contributions	132,052	130,303
Deficit recovery contributions	23,544	27,364
Augmentation contributions	3,108	388
Total Employers' Contributions	**158,704**	**158,055**
Other contributions	2,657	389
Total Contributions Receivable	**213,194**	**207,586**

By Employer

£000	2023/24	2022/23	2021/22
Administering authority	85,537	91,313	87,048
Scheduled bodies	121,854	110,045	102,187
Admitted bodies	3,146	5,840	4,405
Other	2,657	389	-
Total	**213,194**	**207,586**	**193,640**

8. Transfers in from other pension funds

£000	2023/24	2022/23
Group transfers	-	9,359
Individual transfers	23,413	26,928
Total Transfers	**23,413**	**36,287**

9. Benefits Payable

By Category

£000	2023/24	2022/23
Pensions	(184,267)	(151,030)
Commutation and lump sum retirement benefits	(27,246)	(21,206)
Lump sum death benefits	(4,723)	(4,514)
Interest on late payment of benefits	(375)	(138)
Total Benefits Payable	**(216,611)**	**(176,888)**

By Type of Employer

£000	2023/24	2022/23
Administering authority	(86,241)	(81,786)
Scheduled bodies	(101,035)	(81,073)
Admitted bodies	(29,335)	(14,029)
Total Benefits Payable	**(216,611)**	**(176,888)**

10. Payments to and on account of leavers

£000	2023/24	2022/23
Group transfers to other schemes	(29,884)	(25,529)
Refunds of contributions	(798)	(822)
Payments for members joining state schemes	7	10
Total Payments	**(30,675)**	**(26,341)**

11. Management expenses

£000	2023/24	2022/23
Administrative costs	(3,495)	(4,198)
Investment management expenses	(7,725)	(8,131)
Oversight and governance costs	(2,159)	(7,436)
Total Management expenses	**(13,379)**	**(19,765)**

As part of its oversight and governance costs in 2023/24, the Fund had also paid £1,613k (2022/23: £1,521k) in respect of pooling costs payable to the Border to Coast Pensions Partnership (BCPP).

Investment management expenses

2023/24

£000	Management fees	Performance related fees	Transaction costs	Total
Equities	(2,375)	-	(460)	**(2,835)**
Pooled investments	(1,989)	-	(546)	**(2,535)**
Pooled property investments	(989)	-	-	**(989)**
Private equity	(1,262)	-	-	**(1,262)**
Sub-total	**(6,615)**	-	**(1,006)**	**(7,621)**
Custody fees	-	-	-	**(104)**
Total	-	-	-	**(7,725)**
Oversight and Governance	-	-	-	**(2,159)**
Total	-	-	-	**(9,884)**

2022/23

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

12. Investment income

£000	2023/24	2022/23
Income from equities	8,071	18,401
Private equity income	15,925	10,426
Pooled property investments	8,757	10,720
Interest on cash deposits	2,886	1,445
Other	2,358	858
Total Investment income	**37,997**	**41,850**

13. Other fund account disclosures

£000	2023/24	2022/23
Payable in respect of external audit	(99)	(64)
Payable in respect of other services	-	-
Total External audit costs	**(99)**	**(64)**

14. Investments

Investment assets and liabilities £000

Investment assets	31 March 2024	31 March 2023
Equity	466,344	485,691
Bonds	849,554	563,595
Pooled funds: Equity unit trusts	3,230,195	2,999,453
Sub-total	**4,546,093**	**4,048,739**
Other investments: Pooled property investments	279,927	293,784
Other investments: Private equity	929,217	795,159
Derivatives	514	22,607
Total net investments	**5,755,752**	**5,160,289**
Cash deposits	60,828	77,750
Other investment balances	2,158	2,342
Sub-total	**5,818,738**	**5,240,381**

Investment liabilities	31 March 2024	31 March 2023
Derivatives	(3,830)	-
Pending Purchase	(11,391)	-
Pending Spot FX	(16)	-
Total investment assets	**5,803,500**	**5,240,381**

2 14A. Reconciliation of movements in investments and derivatives

2023/24

£000	Market value 1 April 2023	Purchases and derivative payments	Sales and derivative receipts	Change in value during the year	Market value 31 March 2024
Equities	485,691	244,970	(365,940)	101,623	466,344
Pooled investments	3,563,048	458,859	(420,441)	478,283	4,079,749
Pooled property investments	293,784	74,255	(67,523)	(20,589)	279,927
Private equity	795,159	237,306	(71,526)	(31,722)	929,217
Sub-total	**5,137,682**	**1,015,390**	**(925,430)**	**527,595**	**5,755,237**
Derivatives	22,607	24,390	(83,250)	32,397	(3,316)
Sub-total	**5,160,289**	**1,040,320**	**(1,008,680)**	**559,992**	**5,751,921**
Other investment balances: Cash	77,750	-	-	(143)	60,838
Spot FX Contracts	-	-	-	41	(16)
Other investment balances:	-	-	-	11	(11,391)
Accrued income/other	2,342	-	-	-	2,158
Total	**5,240,381**	-	-	**(559,901)**	**5,803,500**

2022/23

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

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

3 14B. Investments analysed by fund manager

Investments managed by Border to Coast Pension Partnership

Fund Manager	Market value 31 March 2024 £000	%	Market Value 31 March 2023 £000	%
Border to Coast UK Equity Alpha	368,447	6	499,575	10
Border to Coast Global Equity Alpha	875,418	15	739,481	14
Border to Coast Global MAC	849,560	15	563,595	11
Border to Coast Global Listed Alt	80,072	1	250,709	5
Border to Coast Emerging Mkt Eq	285,286	5	-	-
Sub-total	2,458,783	42	2,053,360	40

Investments managed outside Border to Coast Pension Partnership

Fund Manager	Market value 31 March 2024 £000	%	Market Value 31 March 2023 £000	%
LGIM (Legal & General Investment Management)	1,621,031	28	1,509,699	29
Newton Investment Management	478,281	8	490,754	9
CBRE Global Multi-Manager	286,932	5	306,891	6
Private equity/other	961,789	17	857,070	16
Derivatives	(3,316)	-	22,607	-
Sub-total	3,344,717	58	3,187,021	60
Total	5,803,500	100	5,240,381	100

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

Fund Manager	Market value 31 March 2024 £000	%	Market value 31 March 2023 £000	%
LGIM Future World Global Equity Index	1,306,376	23	925,281	18
Border to Coast Global Equity Alpha	875,418	15	739,481	14
Border to Coast Multi Asset Credit	849,554	15	563,595	11
Border to Coast UK Equity Alpha	368,429	6	499,573	10
Border to Coast Multi Listed Alternatives	-	-	250,701	5
LGIM World Emerging Markets Fund	-	-	275,163	5
LGIM - TLCV Bespoke (34048)	-	-	187,215	4
Total	**3,399,777**	**59**	**3,441,009**	**67**

4 14C. Stock lending

Stock lending is the act of loaning a stock, derivative or other security to an investor or firm. The Fund operates a stock lending programme in partnership with the Fund custodian. As at 31 March 2024 the value of quoted securities on loan was £0 million (£16 million as at 31 March 2023) in exchange for collateral held by the Fund custodian at fair value of £0 million (£17.3 million as at 31 March 2023).

15. Analysis of derivatives

Forward currency contracts

Forward foreign exchange contracts are over the counter contracts whereby two parties agree to exchange two currencies on a specified future date at an agreed rate of exchange. At 31 March 2024 the Fund had forward currency contracts in place with a net unrealised gain of £3.3m (net unrealised gain of (£22.6m) at 31 March 2023).

2023/24

Number of contracts	Contract settlement date within	Currency bought	Currency Sold	Notional amount in local currency bought £000	Notional amount in local currency sold £000	Asset £000	Liability £000
5	Three months	GBP	EUR	213,560	(249,341)	-	-
2	Three months	GBP	JPY	77,739	(14,628,300)	1	-
8	Three months	GBP	USD	77,226	(986,925)	-	(4)
-	-	-	-	-	-	**1**	**(4)**

2022/23

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

16. Fair value – basis of valuation

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year.

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

Description of Asset	Valuation Hierarchy	Basis of Valuation	Observable and Unobservable Inputs	Key Sensitivities Affecting the Valuations Provided
Market quoted investments (equities)	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
Futures and options in UK bonds	Level 1	Published exchange prices at the year-end	Not required	Not required
Exchange traded pooled investments	Level 1	Closing bid value on published exchanges	Not required	Not required
Unquoted bonds (bonds)	Level 2	Average of broker prices	Evaluated price feeds	Not required
Forward foreign exchange derivatives (derivatives and other)	Level 2	Market forward exchange rates at the year-end	Exchange rate risk	Not required
Overseas bond options	Level 2	Option pricing model	Annualised volatility of counterparty credit risk	Not required

Description of Asset	Valuation Hierarchy	Basis of Valuation	Observable and Unobservable Inputs	Key Sensitivities Affecting the Valuations Provided
Pooled investments – overseas unit trusts and property funds (pooled Property)	Level 2 & 3	Closing bid price where bid and offer prices are published. Closing single price where single price published	NAV-based pricing	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts
Pooled investments – hedge funds	Level 3	Closing bid price where bid and offer prices are published. Closing single price where single price published	NAV-based pricing	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts
Unquoted equities (Equities and private equities)	Level 3	Comparable valuation of similar companies in accordance with *International Private Equity and Venture Capital Valuation Guidelines* (2012)	EBITDA multiple, Revenue multiple, Discount for lack of marketability, Control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts

5 Sensitivity of assets held at Level 3

The Fund has determined that the valuation methods described above for Level 3 investments are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2024 and 31 March 2023.

2024

31 March 2024	**Potential variation in fair value (+/-%)**	**Value at 31 March 2024 £000**	**Potential value on increase £000**	**Potential value on decrease £000**
Private Equity	5	929,217	978,678	879,755
Property Funds	7	116,287	124,035	108,538
Pooled investments	10	124,579	137,037	112,121
Total	**-**	**1,170,082**	**1,239,750**	**1,100,414**

2023

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

6 16A. Fair Value Hierarchy

Financial Assets and Liabilities at Fair Value 31 March 2024

£000 Financial assets at fair value:	Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
Equities	466,344	-	-	466,344
Pooled investments	-	3,955,170	124,579	4,079,749
Pooled property investments	-	163,640	116,287	279,927
Private equity	-	-	929,217	929,217
Derivatives	-	514	-	514
Cash*	60,828	-	-	60,828
Other investment balances	1,969	189	-	2,158
Sub-total	529,141	4,119,513	1,170,083	5,818,737

£000 Financial liabilities at fair value:	Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
Derivatives	-	(3,846)	-	(3,846)
Pending Investment Purchase	-	(11,391)	-	(11,391)
Total	**529,141**	**4,104,276**	**1,170,083**	**5,803,500**

Financial Assets and Liabilities at Fair Value 31 March 2023

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

£000 Financial liabilities at fair value:	Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
Derivatives	-	-	-	-
Total	**565,758**	**3,753,275**	**921,348**	**5,240,381**

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

7 16B. Reconciliation of Fair Value measurements within Level 3

2023/24

£000	Value at 31 March 2023	Purchases	Sales	Realised gains and losses	Unrealised gains and losses	Value at 31 March 2024
Private equity	795,159	237,306	(71,525)	18,601	(50,323)	929,218
Pooled Investments	-	111,438	(3)	1	13,143	124,579
Property funds	126,189	7,057	(7,851)	(2,506)	(6,603)	116,286
Total	**921,348**	**355,801**	**(79,379)**	**16,096**	**(43,783)**	**1,170,083**

2022/23

£000	Value at 31 March 2023	Purchases	Sales	Realised gains and losses	Unrealised gains and losses	Value at 31 March 2024
Private equity	548,856	256,874	(91,889)	31,018	50,300	795,159
Property funds	153,524	6,039	(3,997)	-	(29,337)	126,189
Total	**702,380**	**262,913**	**(95,886)**	**31,018**	**21,923**	**921,348**

17. Classification of financial instruments

Financial assets and liabilities 31 March 2024

£000 Financial assets	Fair value through Profit and Loss	Assets at amortised cost	Liabilities at amortised cost
Equities	466,344	-	-
Pooled investments	4,079,750	-	-
Pooled property investments	279,927	-	-
Private equity	929,217	-	-
Derivatives	514	-	-
Other investment balances	-	2,158	(11,391)
Sub-Total	**5,755,752**	**62,986**	**(11,391)**

£000 Financial Liabilities	Fair value through Profit and Loss	Asset at amortised cost	Liabilities at amortised cost
Derivatives	(3,830)	-	(16)
Total	**5,751,922**	**62,986**	**(11,407)**

Financial assets and liabilities 31 March 2023

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

£000 Financial Liabilities	Fair value through Profit and Loss	Asset at amortised cost	Liabilities at amortised cost
Derivatives	-	-	-
Total	**5,162,631**	**77,750**	**-**

8 17A. Net gains and losses on financial instruments

£000 Financial Assets	**2023/24**	**2022/23**
Fair value through profit and loss	527,596	(77,560)
Amortised cost - realised gains on derecognition of assets	-	-
Amortised cost - unrealised gains	53	91

£000 Financial Liabilities	**2023/24**	**2022/23**
Fair value through profit and loss	32,397	(49,877)
Amortised cost - realised (losses) on derecognition of assets	(144)	(479)
Amortised cost - unrealised (losses)	-	-
Total gain / (loss)	**559,901**	**(127,825)**

18. Nature and extent of risks arising from financial instruments

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

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

Market risk

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

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

Other price risk

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

The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. The maximum risk resulting from a financial instrument is determined by the fair value of the instrument. By diversifying investments across asset classes and managers, the Fund aims to reduce the exposure to price risk. Statutory limits prescribed by Regulations are also in place to avoid concentration of risk in specific areas.

Other price risk – sensitivity analysis

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

2024

Asset	Potential market movement (+/-%)	Value at 31 March 2024 £000	Potential value on Increase £000	Potential value on decrease £000
Equities	11	466,344	517,033	415,654
Equity unit trusts	11	3,230,196	3,590,319	2,870,072
Bonds	7	849,554	906,718	792,391
Pooled property investments	7	279,927	298,580	261,274
Cash	7	60,648	65,197	56,099
Private equities	5	929,217	978,678	879,755
Other assets	2	(12,385)	(12,683)	(12,088)
Total	**7**	**5,803,500**	**6,343,842**	**5,263,157**

2023

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

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund is predominantly exposed to interest rate risk through its holdings in bonds.

Interest rate risk – sensitivity analysis

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

Assets exposed to interest rate risk:

2024 analysis by asset type

£000	Value at 31 March 2024	Potential value on 1% rate increase	Potential value on 1% rate decrease
Cash and cash equivalents – includes direct and indirect holdings	60,828	60,828	(60,828)
Fixed interest securities	849,554	858,050	(841,059)
Total	**910,382**	**918,878**	**(901,887)**

2023 analysis by asset type

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

Currency risk

Currency risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than sterling. The Fund holds monetary and non-monetary assets denominated in currencies other than sterling.

The Fund therefore has a policy to passively hedge up to 50% of the equity exposure to US Dollar, Yen and the Euro. Legal and General Investment Management manages this currency hedge. Individual fund managers may also use derivatives if permitted by their investment management agreements. Furthermore, fund managers will take account of currency risk in their investment decisions.

Currency risk – sensitivity analysis

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

2024

Analysis by asset type	Potential market movement (+/-%)	Value at 31 March 2024 £000	Potential value on increase £000	Potential value on decrease £000
Overseas equities	6	2,090,961	2,222,692	1,959,231
Bonds	6	849,554	903,076	796,032
Property & private equity	6	797,535	847,780	747,290
Total	**6**	**3,738,051**	**3,973,548**	**3,502,553**

2023

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

Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

Contractual credit risk is represented by the net payment or receipt that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by exchanges to cover defaulting counterparties.

The Fund's cash balance is lent to borrowers in accordance with the county council's treasury management strategy. There are rigorous procedures in place to manage the security of all cash deposits, including criteria for the quality of counterparties and limits on the amount that can be placed with any of those counterparties.

The Fund holds a separate bank account with HSBC, which holds AA long term credit ratings (or equivalent) with all three credit rating agencies (Fitch, Moody's, Standard and Poor's).

The Fund has 5 accounts with money market funds, managed by Morgan Stanley, Aberdeen, Black Rock, Deutsche and Aviva (all with AAA credit rating). In line with the treasury strategy, the maximum deposit level allowed with each counterparty is £25 million.

£000 Money market fund	31 March 2024	31 March 2023
Aberdeen MMF	8,100	100
Aviva	25,000	100
Blackrock	5,100	12,700
Deutsche	2,300	3,300
Morgan Stanley	100	400
Sub-total	**40,600**	**16,600**

£000 Current account	31 March 2024	31 March 2023
HSBC	165	1,147
Sub-total: Internally managed cash	**40,765**	**17,747**

£000 Externally managed cash	31 March 2024	31 March 2023
LGIM	2	-
Custodian	60,826	77,750
Total cash and cash equivalents	**101,593**	**95,497**

Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The council therefore takes steps to ensure that the pension fund has adequate cash to meet its commitments. The Fund needs to manage its cash flows to ensure pensioner payroll costs are met and sufficient cash is available to meet investment commitments.

The treasury management activities of the Fund are managed by the Orbis Treasury Function on a daily basis. A cash flow forecast is updated daily to help understand and manage the timings of the Fund's cash flows. The Fund has immediate access to the internally managed cash holdings and money market fund. The Fund is able to borrow cash to meet short-term cash requirements.

The Fund monitors prospective cash flow. Cash flow surpluses are invested with fund managers, given that the Fund has an aim of being as fully invested as possible after allowing for the need to hold working balances. Regular rebalancing exercises take place, which involves assessing the level of internal cash available to be invested with managers.

Derivative risk

Some portfolios in which the Fund invests may utilise financial derivative instruments to reduce risks or costs or to generate additional returns to meet the portfolio's objectives. Use of such derivatives does not guarantee a positive result for the portfolio.

Derivatives may invoke a small initial investment but carry the potential for a much greater liability. This is known as leverage. A small market movement could therefore have a proportionately larger impact either for or against the Fund. Other specific risks include the inability of the portfolio manager to close out a derivative position due to illiquidity in the derivative market.

The employment of derivatives within the Fund is limited to specific portfolios where their usage is primarily to manage volatility associated with other holdings. A significant movement to the detriment of the portfolio is intended to be balanced by positive movements in other areas of the portfolio. Fund managers will be expected to ensure a balanced, diverse pool of assets with internal exposure restrictions to limit the impact of potential market movements.

19. Funding arrangements

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS). In summary, the key funding principles are as follows:

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants
- use a balanced investment strategy to meet the regulatory requirement for long-term cost efficiency (where efficiency in this context means to minimise cash contributions from employers in the long term)
- where appropriate, ensure stable employer contributions
- reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy
- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to have a sufficiently high likelihood of achieving the funding target over 20 years. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least a 70% likelihood that the Fund will achieve the funding target over 20 years.

Funding position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2022. This valuation revealed that the Fund's assets, which at 31 March 2022 were valued at

£5,358 million, were sufficient to meet 102% of the liabilities (i.e., the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2022 valuation was £101 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and likelihood measure as per the FSS. Individual employers' contribution for the period 1 April 2023 to 31 March 2026 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions are described in the 2022 valuation report and FSS

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date; and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value. The key financial assumptions adopted for the 2022 valuation were as follows:

Financial assumptions	31 March 2022 %
Discount rate	4.4 pa
Salary increase assumption	2.7 pa
Benefit increase assumption (CPI)	2.7 pa

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of 1.50%

p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

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

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

Experience over the period since 31 March 2022

Markets were disrupted by the ongoing war in Ukraine and inflationary pressures in 2022 and 2023, impacting on investment returns achieved by the Fund's assets. High levels of inflation in the UK (compared to recent experience), have resulted in higher than expected LGPS benefit increases of 10.1% in April 2023 and 6.7% in April 2024.

However, asset performance has improved towards the end of 2023 and into 2024 and inflation has begun to return towards historical levels and the Bank of England's target (2% pa). There has been a significant shift in the wider economic environment since 2022, resulting in generally higher expected future investment returns and a reduction in the value placed on the Fund's liabilities.

Overall, the funding position is likely to be stronger than at the previous formal valuation at 31 March 2022.

The next actuarial valuation will be carried out as at 31 March 2025. The Funding Strategy Statement will also be reviewed at that time.

Adrian Loughlin FFA May 2024

For and on behalf of Hymans Robertson LLP

20. Actuarial present value of promised retirement benefits

CIPFA's Code of Practice on Local Authority Accounting 2023/24 requires Administering Authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. The actuary Hymans Robertson was instructed by the Administering Authority to provide the necessary information for the Surrey Pension Fund ("the Fund").

The actuarial present value of promised retirement benefits is to be calculated similarly to the Defined Benefit Obligation under IAS19. There are three options for its disclosure in the pension fund accounts:

- Showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit
- As a note to the accounts, or
- By reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Fund's funding assumptions.

Present value of promised retirement benefits

Member category	31 March 2024 £m	31 March 2023 £m
Active members	2,079	1,926
Deferred members	1,410	1,428
Pensioners	2,251	2,311
Total	**5,740**	**5,665**

The promised retirement benefits at 31 March 2024 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2022. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

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

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

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2024 and 31 March 2023. I estimate that the impact of the change in financial assumptions to 31 March 2024 is to decrease the actuarial present value by £316m. I estimate that the impact of the change in demographic assumptions is to decrease the actuarial present value by £34m.

Financial assumptions

% Rate	31 March 2024	31 March 2023
Pension Increase Rate	2.75	2.95
Salary Increase Rate	3.75	3.95
Discount Rate	4.85	4.75

Demographic assumptions

The longevity assumptions have changed since the previous IAS26 disclosure for the Fund. Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2022 model, with a 25% weighting of 2022 data, 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a..

Based on these assumptions, the average future life expectancies at age 65 are summarised below:

Average future life expectancy at age 85	Males – Years	Females – Years
Current pensioners	21.9	24.5
Future pensioners (assumed to be aged 45 at the latest formal valuation)	22.6	25.9

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

Sensitivity analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the obligations are set out below:

Sensitivity to the assumptions for the year ended 31 March 2024	Approximate increase to liabilities %	Approximate monetary amount £m
0.1% p.a. decrease in the Discount Rate	2	104
1 year increase in member life expectancy	4	230
0.1% p.a. increase in the Salary Increase Rate	-	4
0.1% p.a. increase in the Pension Increase Rate (CPI)	2	101

Professional notes

This statement accompanies the ‘Accounting Covering Report – 31 March 2024’ which identifies the appropriate reliance and limitations for the use of the figures above, together with further details regarding the professional requirements and assumptions.

Adrian Loughlin FFA 17 May 2024

For and on behalf of Hymans Robertson LLP

Section 37 confirmations (Virgin Media vs NTL Pension Trustees II Limited ruling)

We have made no additional allowance within the accounting balance sheet for this June 2023 legal judgement. We have taken this approach because at the time of writing:

- The ruling only applies to the above-named private sector pension scheme
- The legal judgement was subject to appeal (however the Court of Appeal dismissed in July 2024 and the original ruling stands)
- It is unknown whether Section 37 certificates exist for prior LGPS scheme amendments (HMT and GAD are currently looking into this)
- It is unknown whether there would be any potential remedy required to public service schemes (including the LGPS)
- It is unknown what the impact of any potential remedy would be
- DWP are being asked by pension bodies to look at pragmatic solutions where schemes are unable to evidence historic section 37 confirmation (eg introduce legislation that would allow retrospective section 37 certificates to be produced now to validate historic changes).

Updated 11 October 2024

For and on behalf of Hymans Robertson LLP

21. Current assets

£000	31 March 2024	31 March 2023
Contributions – employees	3,823	3,039
Contributions - employer	22,056	8,658
Sundry debtors	3,374	29,452
Sub-total	**29,253**	**41,149**
Cash balances	40,765	17,747
Total Current Assets	**70,018**	**58,896**

22. Current liabilities

£000	31 March 2024	31 March 2023
Sundry creditors	(8,773)	(7,700)
Benefits payable	-	(181)
Total Current liabilities	**(8,773)**	**(7,881)**

23. Additional voluntary contributions

£000	31 March 2024	31 March 2023
Prudential - market value	15,929	14,753
Utmost – Market value	383	373

£000	2023/24	2022/23
Prudential - contributions paid	98	1,100
Utmost – contributions paid	0	0

24. Agency services

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

£000	2023/24	2022/23
District & Boroughs	2,110	2,007
Other bodies	276	306
Total	**2,386**	**2,313**

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25. Related party transactions

The Surrey Pension Fund is administered by Surrey County Council. During the reporting period, the council incurred costs of £4.783m (2022/23 £4.720m) in relation to the administration and management of the Fund and was reimbursed by the Fund for these expenses.

The council is also the single largest employer of members of the pension fund. Net amounts owed by Surrey County Council to the Fund as at 31 March 2024 were £10.305m (2022/23 £2.047m).

Members of both the Pension Fund Committee and Local Pension Board are required to declare their disclosable pecuniary interests in respect of any item to be considered at each meeting. Declarations of interest are recorded in the minutes of each meeting as part of the public record and a copy can be found on the Surrey County Council website.

10 25A. Key management personnel

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

Their renumeration is set out below:

£000	2023/24	2022/23
Short-term benefits	148	143
Post-employment benefits	18	17
Total Remuneration	**166**	**160**

26. Contingent Liabilities and Contractual Commitments

Outstanding capital commitments (investments) as at 31 March 2024 were £687m (31 March 2023: £846m). These commitments relate to outstanding call payments due on unquoted limited partnership funds held in private equity and infrastructure parts of the portfolio. The amounts ‘called’ by these funds are irregular in both size and timing over a period of between four and six years from the date of each original commitment.

At the end of the year, the additional potential liabilities related to pension fund transfers, pending final decisions from employing bodies, were deemed immaterial.

GLOSSARY OF TERMS

Accruals

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

Amortisation

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

Assets held for sale

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

Assets under construction

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

Balances

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

Business Rates

See Non-Domestic Rates (NDR).

Capital expenditure

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

Capital adjustment account

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

Capital financing requirement

This represents the Council's underlying need to borrow for capital purposes. The year on year change will be influenced by capital expenditure in each year.

Capital receipts

Proceeds from the sale of non-current assets. The council earmarks capital receipts to finance future capital expenditure, except when they are utilised under the capital receipt flexibilities to fund transformation expenditure.

Chartered Institute of Public Finance and Accountancy (CIPFA)

The professional accountancy institute that sets the standards for the public sector. CIPFA publishes the accounting codes of practice for local government.

The Code of Practice on Local Authority Accounting (The Code)

The Code specifies the principles and practices of accounting required to prepare a Statement of Accounts which gives a true and fair view of the financial position and transactions of a local authority. It is based on International Financial Reporting Standards (IFRS), and has been developed by CIPFA/LASAAC under the oversight of the Financial Reporting Advisory Board.

Community assets

Assets that the local authority intends to hold in perpetuity which have no determinable useful life and which may have restrictions on their disposal. Examples include the countryside estate and historic assets that are not used in service delivery.

Contingent Assets / Liabilities

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

Creditors

Money owed by the Council that is due immediately or in the short term. Creditors are an example of the concept of accruals.

Current service cost (pensions)

The increase in the present value of local government and firefighters' pension scheme's liabilities expected to arise from employee service in the current period.

Curtailment costs (pensions)

For a defined benefit scheme (such as LGPS and firefighters') an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service.

Debtors

Money that is due to the Council but which has not yet been received. Debtors are an example of the concept of accruals.

Defined benefit scheme (pensions)

A pension or other retirement benefit scheme that defines the employees benefits and is independent of contributions and investment performance. Defined benefit schemes may be funded (local government pension scheme) or un-funded (firefighters' pension scheme).

Depreciation

A charge to the revenue account to reflect the consumption or use of a tangible non-current asset in service delivery. There is a corresponding reduction in the value of the non-current asset.

Discounting

The process of determining the present value of a payment or a stream of payments that is to be received in the future. Given the time value of money, a pound is worth more today than it would be worth tomorrow given its capacity to earn interest. Discounting is the method used to figure out how much these future payments are worth today.

Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction.

Financial instruments

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.

Financial year

The year of account, which runs from 1 April to 31 March.

Government grants

Financial assistance from central government, or its agents, in the form of cash transfers, often in return for compliance with certain conditions. These grants may be capital or revenue in nature.

Historic cost

The estimated value of an asset on the balance sheet based upon its original purchase cost less depreciation to date.

Impairment loss

The reduction in an asset's value due to physical deterioration or other factors beyond usual wear and tear.

Infrastructure assets

Non-current assets that cannot be taken away or transferred and from which benefit can only be derived through continued use. Examples of infrastructure assets are roads, bridges and footpaths.

Intangible assets

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

Interest cost (pensions)

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

Investment properties

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

Leasing

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

Lessee

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

Lessor

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

Material

Information is said to be material if its omission or misstatement could influence the decisions users take on the basis of the financial statements. Materiality therefore relates to the importance or significance of an amount, transaction, or discrepancy. The assessment of what is material is a matter of professional judgment; the size and nature of the item under consideration must be taken into account in making this judgement.

Minimum revenue provision (MRP)

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

Net current replacement cost

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

Net realisable value

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

Non-Domestic Rates (NDR)

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

Past service cost (pensions)

For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Precept

An amount levied on another public body in respect of the Council tax. The county council collects its council tax share from district councils through a precept, and pays the Environment Agency for land drainage.

Provisions

Amounts set aside for any liabilities or losses that are likely to be incurred, but which are uncertain as to the amounts or the dates on which they will arise.

Prudential Code for Capital Finance in Local Authorities

The Prudential Code is a professional code of practice that supports local authorities in taking capital investment decisions. The code requires local authorities to set their own borrowing limits based upon affordability, sustainability and prudence.

Public Works Loan Board

A government agency providing long term loans to Local Authorities to finance part of their Capital Expenditure.

Reserves

These are amounts set aside for specific purposes. The council has discretion on whether it wishes to set aside these amounts as distinct from sums set aside in provisions. Movements on reserves are therefore charged or credited to the revenue account after the net cost of service provision has been.