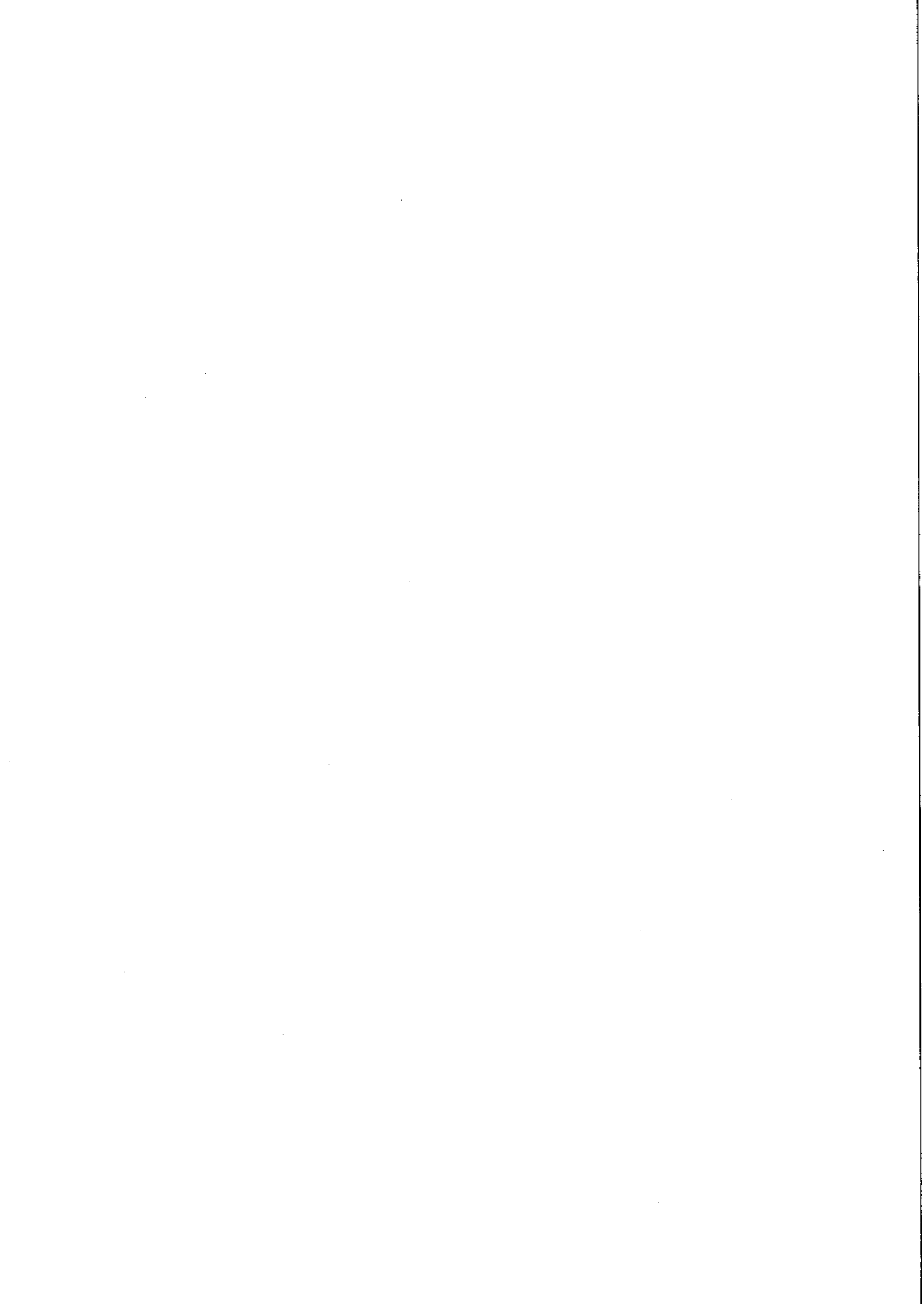


WOKING BOROUGH COUNCIL

**ANNUAL FINANCIAL REPORT
AND
STATEMENT OF ACCOUNTS**

**FOR THE YEAR ENDED
31 MARCH 2018**



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**EXPLANATORY FOREWORD
BY FINANCE DIRECTOR
LEIGH CLARKE ACA**

1.0 Introduction

- 1.1 This year the Council has invested significantly in the Borough with work continuing on several major projects. 2017/18 saw construction underway in the Town Centre, both for the integrated transport works, and the beginning of the Victoria Square development. Also in the Town Centre the Council appointed a development partner to progress the Woking Gateway Scheme. The Council substantially completed the construction of the Hoe Valley School and leisure facilities and acquired employment space at Dukes Court. The plans for the regeneration of Sheerwater were reviewed and enhanced and a number of the residential properties required by the scheme were purchased.
- 1.2 Future investment in new Housing Revenue Account (HRA) properties is currently restricted by the government imposed debt cap, however there are plans to spend the available resources on provision of new HRA homes. The government has suggested that in the future the cap may be lifted for some schemes which would enable further provision of housing at social rents.
- 1.3 Service income and expenditure in year was £1.1 million under budget mostly due to rental income from properties acquired in the town after the budget had been set, and savings against assumed financing costs. Additional income from strategic properties will continue to be transferred to reserves where possible to ensure sufficient resources are available during the current period of major development and to allow time for new income to be established.
- 1.4 It is becoming increasingly difficult to achieve ongoing reductions to the Council's base costs, however there were a number of areas where careful budget management resulted in underspends. It is important that the Council continues to consider where savings can be achieved and a £100,000 target has been included in the 2018/19 budget.
- 1.5 Revenue Reserves have increased from £35m in 2016/17 to £38m at 31 March 2018. Most of these reserves are held for specific purposes including covering potential budget shortfalls during the period while Town Centre developments become fully occupied and changes to government funding are introduced.
- 1.6 The Council supported local community and voluntary organisations with £1.2m of funding through direct grant aid, accredited use of HG Wells and discretionary relief on rates.
- 1.7 Looking forward the government has consulted on the future of local government funding and allocation of resources through 'fair funding' but the financial funding position remains uncertain post 2019/20 with the detail, and impact, of any changes unknown. The Council's Medium Term Financial Strategy was updated in March 2018 and shows a need to identify £6.3 million in ongoing savings by 2021/22. Strategies are in place for approximately £2.8 million, but £3.5 million of savings or efficiencies still remain to be secured. £2.2m of the savings target relates to the assumed withdrawal of government funding. It is critical that the funding position is clarified as soon as possible to establish the actual level of savings required. The Council is pursuing an investment led strategy to enable self sufficiency and cushion the impact of further withdrawals of funding.

1.8 This statement of accounts sets out the Council's financial transactions during the year 1 April 2017 to 31 March 2018 and its financial position at 31 March 2018. The narrative below provides further detail and explanations of the in-year expenditure, funding, investments, reserves and the future pressures facing the Council.

2.0 Investment Programme and Projects

2.1 The next stage of Woking's Town Centre regeneration is now in construction with the Victoria Square regeneration starting on site. The development is beginning to take shape with the foundation works complete and the building work beginning to rise above ground level. In December 2017 additional funding was approved for improved fire safety works, an increase in residential properties and car parking.

2.2 The Town Centre integrated transport works have continued during the year. These improvements will significantly enhance traffic flow in the area and make it safer for pedestrians and cyclists, whilst stimulating economic growth in Woking Town Centre. The project is funded by developer contributions and a £11m grant from the Enterprise M3 Local Enterprise Partnership.

2.3 The construction of the Hoe Valley School and Sportsbox community leisure facilities are now almost complete. The school will be ready for staff and pupils in September 2018.

2.4 The Council's development company, Thamesway Developments Ltd, has continued to enhance the plans for the regeneration of Sheerwater. A revised planning permission, which increases the public open spaces and the total number of properties, was submitted in March 2018. In February 2018 the government awarded the Council £9.3m funding towards the infrastructure investment within the scheme. The funding for the first stage, £26m for the construction of the leisure facilities, was approved on 6 April 2018 with works due to start in the summer. During the year Thamesway Housing Ltd acquired 28 residential properties within the regeneration area, with a further 42 having agreed terms for acquisition.

2.5 In November 2017 the Council bought the Woking office block, Dukes Court, through the acquisition of its holding company. This protects vital employment space in the town, enables the regeneration of the surrounding area and provides commercial rental income for the Council. At 31 March 2018 the property is still held within the company, held on the Council's balance sheet as £59m Long Term Debtor, £12m Shareholdings. The holding company is consolidated into the Council's group accounts. It is planned that during 2018 the property will be transferred into direct Council ownership.

2.6 Work also continued on other Investment Programme projects including improvements at Brookwood Cemetery, works at the Civic Offices to accommodate the job centre, and developing flood, leisure, housing and infrastructure schemes.

2.7 The Council also made a number of strategic property acquisitions which will assist in future development plans and generate operating surpluses to support the Council's services. The properties and the projects they relate to have been reported in the Council's monthly performance and financial monitoring information, the 'Green Book'.

2.8 Investment in Thamesway Housing continued, creating more affordable properties both through acquisition of street properties, new build and redevelopment.

2.9 Celebrate Woking again delivered a successful programme of events, including the Party in the Park and Woking Food and Drink Festival.

2.10 In total the Council spent £247 million on investment programme capital and revenue projects:

	£ million
Investment in Council Housing Stock	12
Sheerwater Regeneration	18
Investment in Thameswey companies for housing provision	32
Victoria Square Regeneration	61
Property Acquisitions and investment in Council assets	83
Hoe Valley School and Sportsbox	22
Integrated Transport works	5
Other capital and revenue projects	<u>14</u>
	<u>247</u>

2.11 The Council used borrowing to fund £200m of the investment in group companies and other Investment Programme projects. Capital grants and other contributions funded £23m, receipts from the sale of assets contributed £13m, and reserves £11m. Approximately £7m of these Investment Programme projects were revenue in nature (did not create an asset) and are therefore shown in the Council's income and expenditure account in the year. This includes feasibility studies and preliminary costs relating to the Sheerwater Regeneration as well as the Celebrate Woking programme of events and projects funded by the Community fund and other reserves.

2.12 During the year the Council sold part of Wolsey Place shopping centre to Victoria Square Woking Ltd for the regeneration project. The £10 million capital receipt was used to part fund the purchase of Orion Gate which was completed late in 2016/17.

2.13 The other significant source of capital receipts was the sale of council houses under the Right to Buy. The Council retains a proportion of these receipts for its own purposes, pays some over to the Government and can opt to retain part of the receipts to use towards replacement housing. In 2017/18 the Council sold 25 properties generating gross receipts of £4 million of which £768,000 has been retained for our own purposes. The remainder has been paid to the Government as, without access to HRA borrowing, there are no resources available to fund the Council's contribution to replacement housing. Until the HRA debt cap is lifted it is unlikely that the replacement housing funds can be retained.

3.0 Revenue budget and outturn 2017/18

3.1 The 2017/18 budget was approved by the Council in February 2017. Budgeted net operating expenditure for 2017/18, before transfers to and from reserves, Council Tax and government financing, was £14 million. Woking received Government support of £2 million through redistributed Business Rates and a transition grant of £112,000 as it was the first year of zero Revenue Support Grant. In total this was a reduction of £574,000, or 21%, less than in 2016/17.

3.2 £1.8 million was received in New Homes Bonus grant which is awarded for increases in the provision of new residential properties. In 2017/18, £1.2 million was used to support services in the year with the rest allocated to the New Homes Bonus reserve. The reserve is used to fund infrastructure relating to developments, including community assets, and investment in Brookwood Cemetery. There is £1.2 million in the reserve at the 31 March 2018.

3.3 The service outturn statements for 2017/18 (page 11) show net service income and expenditure and provide explanations for significant variances from budget. These

variances are reported during the year in the Council's monthly 'Green Book' publication. The year end Green Book reported savings of £1.1 million compared to budget. The most significant variance relates to commercial rent income where the associated capital financing costs from new acquisitions have been contained within the treasury budgets. Additional planning income, homelessness grant funding and savings on the environmental maintenance contract also contribute to the outturn position. These underspends offset pressures from some property rents, costs relating to the HG Wells centre, the meals service and parking, and the savings target where no specific savings were allocated in year.

- 3.4 The Expenditure and Funding Analysis, which can be found on pages 40 and 41, reconciles the outturn statements to the statutory Comprehensive Income and Expenditure statement on page 28.
- 3.5 The Comprehensive Income and Expenditure Statement (CIES), prepared in accordance with IFRS, shows a deficit for the year of £13.4 million.
- 3.6 There are a number of entries in the CIES (page 28) which are included to conform with International Financial Reporting Standards (IFRS) but statute requires should not be charged to the General Fund balance. These amounts are reversed out within the reserves and are shown in the notes to the Movement in Reserves Statement (page 32). A charge is made to the General Fund balance to provide for the repayment of debt which is a requirement of the Code of Practice on Local Authority Accounting, but not of IFRS. This is called the Minimum Revenue Provision.

	£ million
Deficit on CIES	-13.4
<u>Reverse:</u>	
Depreciation, revaluation and Impairment Charges	9.2
Capital expenditure creating an asset not owned by the Council	24.5
Grants and contributions amortised	-23.0
Pooling of housing capital receipts	3.5
Pension, Collection fund and other adjustments	7.5
	<u>21.7</u>
Minimum Revenue Provision for debt repayment	-4.1
Adjusted surplus on CIES	<u>4.2</u>

- 3.7 The overall effect is a transfer to revenue reserves of £4.2 million. Earmarked revenue reserves set up for specific purposes are shown on page 33.

4.0 Assets and Liabilities

- 4.1 At 31 March 2018 the Council's balance sheet shows net assets worth £236 million.

Fixed Assets

- 4.2 Property assets have been revalued where material, some lower value assets are revalued on a rolling basis. In total the revaluation increased Land and Buildings by £1.3m million. The £10m reduction in value of Wolsey Place due to vacancies in 2016/17 was reversed in 2017/18, recognising the sales value, and this offset reductions due to new Strategic Properties which are now valued based on existing rental income.

Cash

- 4.3 At 31 March 2018 cash and temporary deposits of £40 million were held. This is higher than cash balances generally held during the year due to long term borrowing taken in March 2018 as interest rates had fallen. There were no investments with terms in excess of one year.

Long Term Debtors

- 4.4 The Council has made £218m of loans to its Thameswey group companies. These loans are shown as long term debtors on the balance sheet, including £12m for Sheerwater.
- 4.5 A further £59m has been loaned to the Dukes Court holding company, as part of the £72m acquisition, to extinguish external and intercompany debt outstanding at the date of purchase. £106 million has been advanced to Victoria Square Woking Ltd to finance the regeneration.
- 4.6 A further £17m of loans have been advanced to other external organisations including £6m to the Peacocks and £8 million to Woking Hospice. Amounts due within one year are shown as short term debtors.

Shares

- 4.7 The Council owns £31 million in shares held in its wholly owned Thameswey group of companies which are shown as an investment.
- 4.8 The Council also holds £6m (100%) shareholding in Woking Necropolis and Mausoleum Ltd (WNML), which owns and runs Brookwood Cemetery, and £12m (100%) of Dukes Court owner T-SARL, which holds the Dukes Court asset.
- 4.9 In addition, the Council has shares in Victoria Square Woking Ltd (VSWL), the development company for the Victoria Square regeneration, the Boom! West Sussex and Surrey Credit Union, and the UK Municipal Bonds Agency.

Borrowing

- 4.10 At 31 March 2018 there was long term borrowing of £755 million and short term borrowing of £50 million. The level of short term borrowing reflects the short term of some of the capital projects as well as borrowing short dated money during periods of relative stability in money markets.
- 4.11 The Prudential Code enables a Local Authority to borrow to such an extent as the Authority considers appropriate within a range of indicators that it sets. It is therefore possible to invest to the level that is affordable, prudent and sustainable taking into account the level of income including Council Tax and housing rents. The Council's treasury management activity was undertaken in accordance with its Treasury Management Policy and Practices and within the strategy and overall borrowing limits.

Pension fund liability

- 4.12 The Council's share of the deficit on the Surrey Pension Fund continued to reduce the Council's net asset position. Woking's Balance Sheet shows a Pensions liability of £62 million. There has been minimal change in the accounting valuation of the fund compared 31 March 2017. The current actuarial valuation, which is based on forecast yields rather than corporate bond yields, as required by the accounting standards, shows that the fund is very close to being fully funded at 31 March 2018.

The deficit reduces the net worth of the Council by 20%. A full valuation of the Fund was completed at 31 March 2016 which resulted in contribution levels from 2017/18 maintained at the same rates as 2016/17.

5.0 Reserves

- 5.1 The Council's balances and earmarked revenue reserves at 31 March 2018 were £37.8 million, an increase of £2.8 million compared to the balance at 31 March 2017. The increase is due to amounts set aside to cover future Business Rates appeals and previous years Business Rates surpluses realised. There was also additional income from new strategic properties, offset by use of reserves to fund Sheerwater regeneration costs pending Thameswey, as developer, reimbursing the Council.
- 5.2 The Investment Strategy Reserve balance at the 31 March 2018 is £4 million. This meets the policy objective of maintaining the reserve at £3 million and will reduce once expenditure which has slipped from 2017/18 into 2018/19 is committed.
- 5.3 The Wolsey Place reserve was set up following acquisition of the shopping centre, and was credited with the £10 million accepted for the surrender of a lease at Export House. During the year the Council accepted another lease surrender and the reserve was also credited with income from Orion Gate. Variations on the Wolsey Place income budgets were met from the reserve. A transfer of some £1 million is made from the reserve towards the annual budget, and a contribution of £300k is made to the reserve towards costs. The balance was £5.9 million at 31 March 2018.
- 5.4 A 'Medium Term Financial Strategy (MTFS)' reserve has been set up to mitigate the risks associated with the implementation of the Strategy for 2017/18 onwards as agreed in April 2017. It has been possible to credit the reserve with an additional £744,000 in 2017/18.
- 5.5 The HIP reserve has funded £4m of preliminary costs relating to the Sheerwater regeneration in 2017/18. These will be recharged to Thameswey Development Ltd as part of the project construction costs.
- 5.6 The Off-Street Parking Reserve has been established, with a balance of £1m, during 2017/18. This will ensure resources are available to mitigate financing costs for new Town Centre parking assets, including Victoria Square, allowing time for usage to increase to expected levels.

6.0 Group Companies and other Joint Ventures

- 6.1 The Code of Practice on Local Authority Accounting requires local authorities to consider all their interests and prepare a full set of group financial statements where they have material interests in subsidiaries, associates or joint ventures.
- 6.2 The Council has a wholly owned subsidiary, Thameswey Limited which itself owns 100% of companies set up to further the Council's environmental, housing and redevelopment objectives. The Council has also entered into a number of other joint ventures with specific project or service objectives. Much of the capital investment during the year was through Group Companies and partnerships.
- 6.3 A full listing of all the Council's interests can be found on pages 89 - 90 of the accounts.
- 6.4 In total £42.5 million was advanced in loans to the Thameswey group during 2017/18, and an additional £6.5 million of share capital for onward investment to

Thameswey Housing Ltd. The loans are shown as long term debtors in the Council's balance sheet and are listed in note 7, page 55. These balances are eliminated on consolidation in the Group accounts.

- 6.5 The Council owns 48% of Victoria Square Woking Ltd, the development company for the regeneration scheme. £60.5m of funding was advanced by the Council in the year. VSWL is not consolidated in the Group Accounts, but instead is included as an investment based on its net asset value.
- 6.6 In November 2017 the Council purchased the holding company of the Dukes Court office block in Woking. The acquisition was through £59m loan and £12m share capital. The company is consolidated in the Council's group accounts.
- 6.7 Almost £1m of capital and revenue grants were provided to the Brookwood Cemetery companies, by the Council, to continue restoration works. The Cemetery companies are consolidated in the Council's group accounts.
- 6.8 The accounts of the companies, consolidated into the Council's accounts, are presented as Group accounts on pages 87-97.

7.0 Housing Revenue Account

- 7.1 The Housing Revenue Account (HRA) (page 71) made a surplus of £2 million before investment programme projects, a £550,000 improvement to budget. Investment Programme costs of £4.7 million required a £2.7 million transfer from the Housing Investment Programme reserve to cover the final deficit.
- 7.2 The Council's housing stock is managed by a joint venture partnership called New Vision Homes. The Council spent £6.4 million on renovating and improving its Council stock to help achieve and maintain the decent home standard. The Council and New Vision Homes work together to set the future maintenance and spending priorities over the short, medium and longer term. During the year £6.8 million was spent on acquiring new properties using the Council's retained receipts from right to buy sales to fund 30% of the costs. The Council is no longer retaining receipts as the government's debt cap means that there are no resources available to fund the Council's contribution.
- 7.3 The government has considered a number of policies which would put pressure on the Housing Revenue Account in future years. For each of the 4 years from 2016/17 rents will be reduced by 1% a year. Proposals to recover additional amounts from high earning tenants have now been dropped, however, the government are still pursuing payments based on assumed sales of high value vacant dwellings. It remains unclear what assumptions will be used in calculating this charge.
- 7.4 The HRA working balance at 31 March 2018 is £498,000, this is £150 per property which is at the top of the £100 - £150 per property range considered adequate for the purposes of prudent financial management.

8.0 Collection Fund

- 8.1 In 2017/18 the Council Tax set by Woking BC was £226.71 for a property in Band D, an increase of £4.95 on 2016/17. The Council collected £73 million in Council Tax. The Collection Fund shows that 74% is collected for Surrey County Council, 13% for Surrey Police and Crime Commissioner and 13% for Woking's own purposes. The total Band D Council Tax, including the amounts for Surrey County

Council and Surrey Police Authority, was £1,782.83, an increase of £72.60 (4.25%), which included the Social Care precept levied by Surrey County Council.

- 8.2 The Council was not a member of the Surrey-Croydon Business Rates pool in 2017/18. Previous years surpluses from the Business Rates Equalisation Reserve were used to contribute £200,000 to funding services in year. Surrey has been successful in its application to become a pilot area for 2018/19 which will result in a greater proportion of Business Rates collected, over baseline levels, being retained in the County.
- 8.3 Woking collected £44m in Business Rates, which is allocated 50% to the government and 10% to Surrey CC and 40% to Woking Borough Council. Woking is required to pay a tariff of £15.3 million from its share, meaning that if the assumed baseline level of Business Rates is collected only 4.5% of the total rates collected is retained by the Council.
- 8.4 The Valuation Office undertook a full revaluation of Business Rates properties which was effective from 1 April 2017. Overall the average increase for Woking properties was 3.3% and the tariff paid to the government was adjusted to ensure the impact on the Council was neutral.
- 8.5 The government introduced the new 'check, challenge, appeal' system for business rates for 2017/18 following the revaluation. There is currently limited information available on the potential level of appeals. The Council has also experienced a number of temporary reductions in valuations due to disruption from development works. It has therefore been necessary to make assumptions on the likely lost income due to challenges and reductions relating to 2017/18. The resulting increase in appeals provision has left the Council in a 'safety net' position where the government has funded the minimum guaranteed income from business rates.

9.0 The Medium Term Financial Strategy to 2021/22

- 9.1 The financial environment for local government continues to be difficult with further reductions in government grant over the 4 year settlement period to 2019/20.
- 9.2 The greatest pressures in the sector are from the increasing costs of social care services. Whilst this is not a Borough Council responsibility, Woking is impacted by the withdrawal of government funding at a greater rate from lower tier Councils together with the impact of reduced contributions to services funded jointly with the County Council.
- 9.3 The government is consulting on changes to the system of local government funding. The changes include a greater level of retention of Business Rates by the local government sector from 2020/21 and a review to establish the resource 'need' for each area. The design and baseline for this new system is a risk to all Councils as it could have a material impact on the funds retained locally. Whilst uncertain, it is necessary to plan for further funding reductions from 2020/21 onwards.
- 9.4 The Council sets prudent budgets which have in the past enabled significant efficiencies to be generated to ensure the continuation of service delivery. In 2017/18 it was not possible to identify savings to meet the £100,000 savings target included in the budget as savings become increasingly difficult to secure. The Council has instead focused on an investment led approach with income from commercial properties contributing to service budgets. This has been successful to date and it has been possible to maintain service levels while government funding has reduced.

9.5 The Council's medium term financial strategy, last considered in detail by the Council in April 2018, looks to increase investment in housing and strategic investment assets over the period to mitigate reductions, and reduce reliance on, government funding and enable continued provision of services.

10.0 Conclusion

10.1 The Council's overall financial performance in 2017/18 was good and there has been substantial progress made on major capital projects.

10.2 However, there is significant uncertainty on the horizon with government funding unknown post 2019/20. Coinciding with Brexit this makes the economic environment on completion of the Town Centre works very difficult to predict. It is important that the Council has sufficient reserves to withstand a transitional period once the construction is complete. There has been an increase in reserves being held for this purpose and the level of these funds will continue to be reviewed alongside consideration of the Council's Medium Term Financial Strategy.

10.3 As central government support continues to be reduced, and with new funding regimes to be introduced, it is increasingly important that the Council plans for self-sufficiency. The Medium Term Financial Strategy, agreed by Council in April 2018, sets out the likely savings or additional income streams required to meet the withdrawal of government support and other identified risks. The Council will further develop these plans and ensure there are sufficient reserves set aside to allow time to manage any changes.

10.4 The Council's accounts for the year 2017/18 present fairly the financial position of the Authority at 31 March 2018 and its income and expenditure for the year ended 31 March 2018.

Leigh Clarke
Finance Director

Date:

I confirm that this Statement of Accounts was approved by Council on
26 July 2018

Councillor Will Forster
Mayor

Date:

REVENUE OUTTURN STATEMENTS

2017/18

The Council's vision "Towards Tomorrow Today" is supported by a statement of intent about shaping our future, comprising a number of value aims under the three key thematic areas of PEOPLE, PLACE and US (our organisation), as follows:

PEOPLE - A healthy, inclusive and engaged community

PLACE - An enterprising, vibrant and sustainable place

US - An innovative, proactive and effective council

The Council's Revenue Outturn Statements (and management accounts) are summarised by these three thematic areas.

OUTTURN STATEMENT

2016/17 ACTUAL		----- 2017/18 -----		
£		ESTIMATE	ACTUAL	VARIATION
£		£	£	£
	<u>People</u>			
2,220,451	Community Support	2,393,365	2,263,906	-129,459 (1)
2,549,637	Health and Well Being and Cultural Development	2,679,520	2,652,470	-27,050 (2)
2,148,748	Housing	2,077,592	2,066,954	-10,638 (3)
623,905	Independent Living	758,018	572,023	-185,995 (4)
<u>7,542,742</u>		<u>7,908,495</u>	<u>7,555,352</u>	<u>-353,143</u>
	<u>Place</u>			
-3,697,381	Sustaining the Local Economy	-4,034,681	-3,302,283	732,398 (5)
6,470,700	Environmental Quality	6,804,474	6,652,049	-152,425 (6)
-5,153,922	Place Making	-6,730,973	-7,855,936	-1,124,963 (7)
<u>-2,380,602</u>		<u>-3,961,180</u>	<u>-4,506,171</u>	<u>-544,991</u>
	<u>Us</u>			
3,515,140	Democratic Services	4,091,216	3,147,681	-943,535 (8)
157,294	Corporate Services	193,334	198,394	5,060 (9)
1,414,642	Customer Support Services	955,152	1,245,339	290,187 (10)
<u>5,087,076</u>		<u>5,239,702</u>	<u>4,591,415</u>	<u>-648,287</u>
-6,947,000	Council Housing (Housing Revenue Account)	-6,272,608	-6,816,233	-543,625
1,487,422	Investment Programme Revenue Projects	1,323,000	2,415,877	1,092,877
<u>4,789,637</u>	NET COST OF SERVICES	<u>4,237,409</u>	<u>3,240,240</u>	<u>-997,169</u>

OUTTURN STATEMENT - NOTES

People

(1) Community Support

The overall £129,000 underspend on Community Support included a £27,000 saving on refurbishment and fixtures & fittings budgets at the Day Centres. These budgets had been earmarked to be used on a Major Refurbishment which has now been deferred until 2018/19. Centres hire income was £15,000 more than budgeted, and Surrey County Council maintained their funding at 2016/17 levels, which provided £13,000 more funding for the Centres than budgeted.

These savings at the Centres were offset by a £24,000 overspend on energy costs (including the Alpha Road Centre), and an overspend of £62,000 on additional administrative staff and utility bills for the Women's Support Centre.

Income from Interpretation and Translation costs exceeded expenditure by some £20,000 in 2017/18, and there were in year savings of some £68,000 on the general Grants budget.

The remaining £72,000 underspend was made up of a number of smaller items such as in year savings from staff turnover.

(2) Health and Well Being and Cultural Development

There was a small underspend against budget of just over £27,000.

Depreciation and Maintenance costs for the Leisure Centre and Pool were £91,000 more than estimated, and there was net unbudgeted expenditure of £11,000 on consultants to assist with contract negotiations. Energy costs were £38,000 lower than estimated, and Carbon Reduction budgets of £52,000 were moved during the year from this Service Plan to the Place Making Service Plan to better reflect service responsibilities.

There were also small overspends on external storage, cleaning and parking for the Lightbox (£24,000).

The cost of Youth residential schemes and promotions was £8,000 below budget, and the £10,000 provision for a Lakeview Cycle Station was not required during 2017/18.

The remaining variations are mainly small differences in Employee and Running Costs.

(3) Housing

Expenditure on employees was £130,000 less than budgeted. There were unbudgeted capital charges of £318,000, primarily due to the completion of the Kingsmoor Park PFI Development.

Woking was awarded £241,597 Flexible Homelessness Support Grant in 2017/18. £39,000 of this grant was used on the Lets Rent Scheme with the remainder transferred to reserves to be used to deal with the pressures arising from the Homelessness Reduction Act in 2018/19. There was also a £21,000 under spend against the Welfare Reform Resource budget in 2017/18.

Bed and Breakfast costs were £92,000 less than budgeted in 2017/18 however this was offset by a shortfall in recharge income, leaving a net overspend on Bed and Breakfast of £23,000, with the rest of the Housing Options budget being underspent by £40,000, which is mainly Rent Deposits.

Housing benefit costs, net of government subsidy, were £18,000 more than budgeted, and additional Court Costs of £6,000 were incurred relating to Houses In Multiple Occupation. There were a number of other small variations in Running Costs within this range of services.

(4) Independent Living

Employee costs for Independent Living were £62,000 less than budgeted.

Surrey County Council maintained its funding at the 2016/17 level for the Home Improvement Agency (HIA) and the Meals Service, giving additional income of £74,000 and £53,000 respectively.

Due to the increased take up of Disabled Facilities Grants the HIA generated additional fee income of £71,000.

There was a £55,000 net over spend across the Community Meals Service on provisions and energy, combined with a £11,000 shortfall in Meals Sales income.

Place

(5) Sustaining the Local Economy

The overspend against budget of £732,000 is mostly due to an overspend on employees of £385,000 and capital charges of £134,000.

There is an overspend of £24,000 on Business Liaison due to agreed spend by CMG on projects and activities which support Economic Development but which are outside the day to day operation of the Business Liaison team. In addition there is a £58,000 overspend on H G Wells due to an overspend on supplies and services.

The remaining overspend on parking of £131,000 is mostly due to a shortfall in parking income which may be a consequence of the roadworks currently in the town as reported during the year (£111,000), and other miscellaneous operating expenditure £20,000.

(6) Environmental Quality

The underspend against budget of £152,000 is due to an underspend on employees of £43,000 and capital charges £5,000, offset by savings made within Building Services CCTV £20,000, War Memorials £13,000 and Environmental Maintenance Contract and Green Infrastructure £137,000. Costs of £41,000 due to the Town Centre Maintenance works were funded from the Town Centre Maintenance Agreement Reserve.

The savings made within the Environmental Maintenance Contract and the Green Infrastructure budget are made up of small variations across services such as Parks, Flood Clearance & Prevention, Environmental Projects, Outdoor Sports, Countryside Services contractor payments, Surrey County Council contribution to services more than budgeted and Town Centre cleansing.

(7) Place Making

The underspend against budget of £1,125,000 is due to underspends on capital charges (£170,000), Climate Change costs, Development Management and Estates Management (£1,058,000). These were partly offset by overspends on employees (£220,000) and the Carbon Reduction Scheme.

A large proportion of the overspend on Development Management and Planning Policy staffing (£110,000) was temporary staff and consultants, covered by additional fees and charges, mainly from large schemes, of £212,000.

Wolsey Place shortfall in income of £1,386,00 and costs of £517,000 will be partly offset by a surrender premium £880,000 and a dilapidation payment £338,000, giving a net total of £685,000. This is funded elsewhere in the accounts by the Wolsey Place reserve which was created to fund dilapidations, refurbishments for new tenants and void costs.

Following the acquisition of Orion Gate, new rental income of £1,377,510 has been received for the year. The income will partly offset lost Wolsey Place income due to the Victoria Square development (£634,000) with the remaining income contributing to the Medium Term Financial Strategy requirement after borrowing and capital repayment costs are covered.

The remaining underspend in Estates Management £366,000 is made up of costs of running the Market £82,000, an overspend on the Facilities Management contract £26,000, and Town Centre Leisure rents payable £121,750, offset by 2016/17 rent income from 6 Church Street and Dukes Court top up income £532,000 and an underspend on NNDR £64,000.

Us

(8) Democratic Services

The underspend against budget of £944,000 is mainly due to additional income from loan arrangement fees of £641,000, and underspends on Corporate Room Hire (£15,000) and pensions (£277,000). There were offsetting overspends on Banking charges £10,000 and Civic Events £10,000.

Elections were overspent by £49,000, and there was a Neighbourhood Plan Referendum during the year, the costs of which (£17,000) were covered by a grant elsewhere in the accounts. There were other small overspends in employee costs across various headings.

(9) Corporate Services

The overspend against budget of £5,000 is due to £33,000 more being spent on Statutory Advert costs than budgeted, offset by savings of some £38,000 on Publication and other PR costs. £11,000 less Advertising income was received than anticipated, and there were small underspends on staffing and shortfalls against income budgets.

(10) Customer Support Services

The overspend against budget of £290,000 is mostly due to expenditure on Temporary Staff.

There was also an overspend of £85,000 on Supplies and Services, mainly taxi licensing Criminal Record Checks, payments to Surrey County Council for land charges, and software developments. The net cost of Benefits made a small surplus of £37,000.

Additionally there was a shortfall of £44,000 on Land Charges fees, which will offset any excess made on the service in prior years, and there was £41,000 more Licensing income than anticipated.

(11) Housing Revenue Account (HRA)

There was a £282,000 under spend across the revenue budgets of the New Vision Homes contract.

The Major Repairs Contribution has been replaced by a depreciation charge with effect from 1st April 2017. The depreciation amount is £76,867 lower than the Major Repairs Contribution calculated by the Government at the commencement of Self-financing.

HRA rental income was £38,000 less than budgeted. The budget was prepared based on a stock level of 3,363 dwellings. Retained one for one replacement receipts have been used on HRA new build developments in 2017/18 instead of street property purchases. This provides a lower cost per additional dwelling but means the dwellings are slower to come on line. The total stock as at 31st March 2018 was 3,314 (49 lower than the forecast level). This shortfall in rental income was offset by savings due to lower than budgeted void levels. Write offs were also less than budgeted however these were offset by an increase in the bad debt provision.

Expenditure on employees was £3,000 more than expected. Following the completion of the Lakeview Community Centre there have been £13,000 net running costs in 2017/18. Energy costs across the HRA were £27,000 less than budgeted.

(12) Investment Programme Revenue Projects

Transfers are made from revenue reserves to cover the costs of these projects. Variations arise as a result of the need to carry out additional projects in year, the cost of which is partly mitigated by slippage of other projects.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

Woking Borough Council's Responsibilities

The authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In Woking, that officer is the Chief Finance Officer;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the statement of accounts.

The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of Woking's statement of accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice').

In preparing the statement of accounts, the Chief Finance Officer has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code of Practice.

The Chief Finance Officer has also:

- Kept proper accounting records which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.
- Assessed the Authority's [and the Group's] ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- Used the going concern basis of accounting on the assumption that the functions of the Authority [and the Group] will continue in operational existence for the foreseeable future; and
- Maintained such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error,

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. GENERAL

The accounts have been prepared in accordance with the 2017/18 Code of Practice on Local Authority Accounting in the United Kingdom, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Code is based on International Financial Reporting Standards (IFRS).

The financial information within the statements follows the accounting principles of accruals, going concern and primacy of legislative requirements. Information is included with regard to the concepts of relevance, reliability, comparability and understandability together with a consideration of materiality.

Where it has been necessary to use estimates in order to most closely reflect the economic transactions a prudent basis has been adopted.

2. PROPERTY, PLANT AND EQUIPMENT

Expenditure on the acquisition, creation or enhancement of property, plant and equipment has been capitalised on an accruals basis in the accounts.

Tangible fixed assets are valued, as far as practicable, on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS). Fixed assets are classified into the groupings required by the Code. The following bases have been used:

- Land, operational properties and other operational assets are included in the balance sheet at existing use value where there is an active market for the asset. Where there is no active market, or the valuation is for a specialised asset, Depreciated Replacement Cost is used.
- Non-operational assets, including investment properties and assets that are surplus to requirements, are included in the balance sheet at Fair Value. In arriving at the fair value of the asset, the highest and best use of the property is deemed to be its current use. Investment property is property held solely to earn rentals or for capital appreciation, or both.
- Infrastructure assets and community assets are included in the balance sheet at historical cost.
- Surplus assets are included at Fair Value.
- Non current assets held for sale are included at the lower of the carrying value and the fair value less sale costs.
- Heritage assets are assets with historical, artistic, scientific, technological, geographical or environmental qualities held and maintained principally for their contribution to knowledge or culture. From 2011/12 heritage assets have been separately disclosed in the financial statements using their insurance valuation where available. Where no such valuation is available, then historic cost is used in the first instance, otherwise an estimate of the asset's value is made.
- Intangible fixed assets are included in the accounts at cost.

- Prior to 2017/18 the notional Major Repairs Allowance was used as a proxy for depreciation on Council Dwellings. With effect from 1st April 2017 depreciation on Council Dwelling assets is be charged to the Housing Revenue Account in accordance with proper practices. Dwellings are depreciated on a straight line basis.

Revaluations of fixed assets are carried out on a rolling programme, although material changes to asset valuations will be adjusted when necessary. Valuations are carried out by internal RICS qualified valuers in accordance with the Red Book. Assets valued over £1m are included by component when the useful economic life is materially different to that of the overall asset. Subsequent material expenditure is also listed by component.

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

Where valuations of fixed assets have fallen at the balance sheet date the value of the impairment is first taken from the Revaluation Reserve, where a balance for that individual asset exists, with any remaining impairment being charged to the income and expenditure account.

3. DEPRECIATION AND AMORTISATION

Depreciation is provided on all tangible fixed assets where a finite useful life has been determined.

Depreciation is charged on operational buildings. There is no requirement to depreciate the land element of operational property, community assets or investment properties.

For newly acquired assets, depreciation is first provided for in the year after acquisition, whilst assets in the course of construction are not depreciated until they are brought into use. Where identified separately in accordance with the fixed asset accounting policy, individual components are depreciated over the component's estimated useful life.

Prior to 2017/18 the notional Major Repairs Allowance was used as a proxy for depreciation on Council Dwellings. With effect from 1st April 2017 depreciation on Council Dwelling assets will be charged to the Housing Revenue Account in accordance with proper practices. Dwellings are depreciated on a straight line basis over their useful economic asset life.

Intangible assets are amortised over the useful economic life of the asset.

Depreciation and amortisation charges are calculated using the straight-line method. For the purposes of the calculation, the useful lives of assets are determined for each individual asset. Where it is not possible to do this, the lives of Mid Range IT Hardware and Software are estimated at 7 years, and other IT assets, Equipment and Vehicles at 5 years.

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.

4. CHARGES TO REVENUE FOR THE USE OF FIXED ASSETS

In addition to depreciation, amounts set aside from revenue for the repayment of external loans, to finance capital expenditure or for transfers to earmarked reserves are disclosed separately in the Statement of movement in reserves.

5. 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 has been charged as expenditure to the Comprehensive Income and Expenditure Statement in the year. Where it was 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 Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of the Council Tax.

6. CAPITAL RECEIPTS

Prior to the sale of an asset it is revalued, if appropriate, to establish the market value. The income from the disposal of fixed assets is credited to the Income and Expenditure Account on an accruals basis and offset by the write off of the fixed asset value which is also charged to the Income and Expenditure Account. Any difference between the capital receipt received and the market value of the fixed asset will be shown as profit or loss on the sale of fixed assets.

The Statement of Movement in the General Fund Balance reverses any profit or loss on the sale of fixed assets so that it is not charged to Council Tax. The reversal moves the income to the Usable Capital Receipts Reserve, or Deferred Capital Receipts if the income has not yet been received, and writes out the value of the asset from the Revaluation Reserve and Capital Adjustment Account.

7. DEBTORS AND CREDITORS

The Revenue Accounts of the Council are maintained on an accruals basis in accordance with the Code of Practice. This means that sums due to or from the Council during the year are included in the accounts where they are significant, whether or not the cash has actually been received or paid in the year.

8. INVENTORIES

Work in progress on works rechargeable to outside bodies or persons is included at cost price.

Stocks and stores are included at cost price, except that, where there are multiple deliveries of items in a year the whole of that commodity is valued at latest price.

9. OVERHEADS AND SUPPORT SERVICES

All management and administration costs have been charged to services based on estimated allocations or apportionments, with any residual balances being included in "Us" in the Comprehensive Income and Expenditure Statement Net Cost of Services.

10. PROVISIONS AND RESERVES

Capital accounting provisions require the maintenance of two reserve accounts in the Consolidated Balance Sheet:

- The Revaluation Reserve, which represents the balance of the surpluses or deficits arising on the revaluation of fixed assets since 1 April 2007.
- The Capital Adjustment Account, which represents amounts set aside from revenue resources or capital receipts to finance expenditure on fixed assets or for the repayment of external loans and other capital financing transactions.

The Council sets aside reserves to meet general, rather than specific, future capital or revenue expenditure. Any use or contribution to reserves is shown in the Statement of Movements in Reserves.

The Council also sets aside provisions for specific future expenses which are likely or certain to be incurred but, by their inherent nature, the amount or timing of which cannot yet be determined.

Details of the Council's reserves and provisions are provided in the notes to the Balance Sheet and Statement of Movements in Reserves.

11. 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. 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 of an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of the specific assets.

The Authority as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the authority are added to the carrying amount of the asset. Premiums paid on entry to a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and

A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant or equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The authority is not required to raise Council Tax to cover depreciation or revaluation impairment losses arising on leased assets. Instead, a prudent contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution 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.

Operating leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the service benefitting from the use of the leased property, plant and 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 Authority as Lessor

Finance Leases

Where the authority grants a finance lease over a property or an item of plant and equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether property, plant, equipment or asset held for sale) 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. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and

Finance income (credited the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

Operating Leases

Where the authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

12. 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 and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

Where employees have holiday entitlement which has not been used at the Balance Sheet date, the value of the outstanding days are accrued in the Comprehensive Income and Expenditure Statement. A provision is made for the value of the holiday due and is included within current liabilities on the Balance Sheet. The movement in the employee benefit accrual is transferred between the Employee Benefit reserve and the General Fund balance.

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 in exchange for those benefits and are charged on an accruals basis to the "Us" line (formerly Non Distributed Costs) in the Comprehensive Income and Expenditure Statement at the earlier of when the authority 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 Pensions Reserve to remove the notional debits and credits for pension enhancement termination 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.

Post-Employment Benefits

Employees of the Council are members of the Local Government Pension Scheme, administered by Surrey County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The Local Government Pension Scheme is accounted for as a defined benefits scheme. The liabilities of the Surrey Pension Fund 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 Corporate Bond yield curve is constructed based upon a corporate bond yield curve (based on the constituents of the iBoxx AA corporate bond index). This is then adjusted to reflect the 'term' of the benefit.

The assets of the Surrey Pension Fund 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 liabilities as a result of years of service earned this year, 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, debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of "Us";
- net interest on the net defined benefit liability, i.e. net interest expense for the authority – 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 measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments;

Re-measurements comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions 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 – debited to the Pensions Reserve as Other Comprehensive Income and Expenditure; and
- Contributions paid to the Surrey Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the 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. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the 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 also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff 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.

For further details see the notes on pensions on pages 80 to 86.

Further information can be found in the Surrey County Council Pension Fund Annual Report which is available on request from Surrey County Council, PO Box 5, County Hall, Kingston-upon-Thames KT1 2EA.

13. GRANTS

Grants for revenue expenditure are accounted for in the same period as the expenditure to which they relate.

Where a grant or contribution is received to purchase a fixed asset and any conditions have not been met the grant is credited to the capital grants received in advance or donated asset accounts.

When the conditions have been met or if there are no conditions the grant is recognised in the Comprehensive Income and Expenditure Statement. The grant is held in the capital grants unapplied reserve until the expenditure is incurred when it is transferred into the capital adjustment account.

14. CAPITALISATION OF INTEREST

Finance costs incurred during the construction of fixed assets are capitalised in accordance with the requirements of IAS 23. Acquisitions, planned maintenance, improvements to existing assets and capital repairs are excluded from this policy. Capitalisation will cease on practical completion of the project which will then be categorized and included in the balance sheet in accordance with proper practices and Council policy.

15. FINANCIAL INSTRUMENTS

Amortised Cost

Most financial instruments (whether borrowing or investment) are valued on an amortised costs basis using the effective interest rate (EIR) method. Interest costs recognised in the Comprehensive Income and Expenditure account are the effective interest rate and not the actual interest rate being applied during the year.

Fair Value

In the notes to the accounts financial instruments are also shown at fair value. Fair value is defined as the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties who are knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price. The fair values are based on the comparable new borrowing/deposit rate for the same financial instrument from a comparable lender. A consistent approach has been applied to assets and liabilities.

16. PFI SCHEME

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

Expenditure on planning the Council's PFI housing scheme has been accounted for in the Comprehensive Income and Expenditure Statement except where the value of the Council's asset has been enhanced, where the costs are capitalised on the balance sheet. The final assets were completed in 2016/17. Expenditure by the PFI contractor is not shown in the Council's accounts. The asset is shown on the Council's balance sheet within Property Plant and Equipment at Fair Value. The liability relating to the associated ongoing contractual payments is shown within long term liabilities. The interest element of the Unitary Charge is included in the Comprehensive Income and Expenditure Statement, with the balance of the payment writing down the long term liability. There is also a Minimum Revenue Provision (MRP) shown within the Statement of Movement in the General Fund Balance and equivalent entry in the Capital Adjustment Account. Further details can be found in note 26 to the Balance Sheet.

17. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise balances in the Council's bank account, money market account and money market funds. These are highly liquid investments repayable without penalty on notice of not more than 24 hours.

18. VALUE ADDED TAX

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

19. SIGNIFICANT JUDGEMENTS

In the course of applying the accounting policies, the Council has to make judgements about significant transactions and balances. These are set out below, together with the effects if the actual results differ from the assumptions:

Business Rates provision for appeals

The Council has made provisions for backdated appeals of rating valuations based on experience and judgement of the likelihood and value of successful appeals.

Investment in subsidiaries

The Council has made loans to its subsidiaries and holds share capital in the entities. In determining the value of these investments at the balance sheet date, the Council has assumed that the financial forecasts of the subsidiaries demonstrating their financial viability in the long term are appropriate, and therefore that the loans and equity investments will be fully recoverable.

Should the subsidiaries experience serious financial difficulties in the future, there may be sufficient uncertainty over the recoverability of investments to trigger an impairment of the Council's investments.

20. IMPACT OF ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code), the Council is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code.

Further changes in the accounting code will occur in respect of IFRS 9 Financial instruments (to apply from 1 April 2018), IFRS 15 Revenue recognition (to apply from 1 April 2018) and IFRS 16 Leases (to apply from 1 April 2019). It is not expected that these will have a material impact on the accounts.

MOVEMENT IN RESERVES STATEMENT

	Notes 1/2	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Notes 6-12 Unusable Reserves	Total Authority Reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 31 March 2016 carried forward	21,562	8,942	37,247	1,559	639	69,949	174,294	244,243
MOVEMENT IN RESERVES DURING 2016/17								
Surplus or Deficit (-) on Provision of Services (accounting basis)	-14,492	1,873	0	0	0	-12,619	0	-12,619
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	13,024	13,024
Total Comprehensive Income and Expenditure	-14,492	1,873	0	0	0	-12,619	13,024	405
Adjustments between accounting basis & funding basis under regulations	17,272	-145	11,119	-1,559	246	26,933	-26,944	-11
Increase/Decrease (-) before Transfers to Earmarked Reserves	2,780	1,728	11,119	-1,559	246	14,314	-13,920	394
Transfers to/from (-) Earmarked Reserves	0	0	0	0	0	0	0	0
Increase/Decrease in Year	2,780	1,728	11,119	-1,559	246	14,314	-13,920	394
Balance at 31 March 2017 carried forward	24,342	10,670	48,366	0	885	84,263	160,374	244,637
MOVEMENT IN RESERVES DURING 2017/18								
Surplus or Deficit (-) on Provision of Services (accounting basis)	-10,094	-3,280	0	0	0	-13,374	0	-13,374
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	4,711	4,711
Total Comprehensive Income and Expenditure	-10,094	-3,280	0	0	0	-13,374	4,711	-8,663
Adjustments between accounting basis & funding basis under regulations	16,410	-279	433	174	950	17,688	-17,687	1
Increase/Decrease (-) before Transfers to Earmarked Reserves	6,316	-3,559	433	174	950	4,314	-12,976	-8,662
Transfers to/from (-) Earmarked Reserves (Note 2)	-285	285	0	0	0	0	0	0
Increase/Decrease (-) in Year	6,031	-3,274	433	174	950	4,314	-12,976	-8,662
Balance at 31 March 2018 carried forward	30,373	7,396	48,799	174	1,835	88,577	147,398	235,975

For notes to the Movement in Reserves Statement see pages 32 - 39

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Actual 2016/17				Actual 2017/18		
Expenditure £'000	Income £'000	Net Cost £'000		Expenditure £'000	Income £'000	Net Cost £'000
12,309	2,973	9,336	People	8,530	3,153	5,377
28,000	13,452	14,548	Place	27,872	14,344	13,528
36,097	31,223	4,874	Us	36,645	31,314	5,331
12,961	19,878	-6,917	Council Housing	17,703	19,458	-1,755
14,996	21,962	-6,966	Investment Programme Projects	26,951	24,093	2,858
104,363	89,488	14,875	NET COST OF SERVICES	117,701	92,362	25,339
		1,616	- Contribution to Housing Pooled Capital Receipts			3,466
		1,616	Other Operating Expenditure			3,466
		17,527	- Interest payable and similar charges			22,447
		4,799	- Pensions interest on obligation (pension notes pages 80-86)			4,066
		-3,040	- Expected return on pension assets (pension notes pages 80-86)			-2,509
		-9,671	- Investment interest income			-13,148
		-12,382	- Rentals received on investment properties			-14,691
		4,620	- Expenses incurred on investment properties			5,044
		11,913	- Changes in fair value of investment properties			-531
		1,600	- Gains(-)/losses on disposal of investment properties			0
		15,366	Financing & Investment Income & Expenditure			678
		-3,954	- Non-domestic rates income and expenditure			-1,776
		-6,086	- Non-ring fenced government grants			-4,932
		-9,196	- Council Tax Income			-9,401
		-19,236	Taxation and Non-Specific Grant Income & Expenditure			-16,109
		12,621	Surplus(-) or Deficit on Provision of Services			13,374
		-23,446	Surplus(-)/deficit on revaluation of Property, Plant & Equipment Assets			-2,753
		10,422	Actuarial gains(-)/losses on pension assets/liabilities			-1,958
		-13,024	Other Comprehensive Income and Expenditure			-4,711
		-403	Total Comprehensive Income and Expenditure			8,663

Explanatory notes to the Comprehensive Income and Expenditure Statement are on pages 40 - 47

BALANCE SHEET

31 MARCH 2017		31 MARCH 2018	
£'000		£'000	£'000
	Property, Plant & Equipment (note 1)		
293,657	- Council Dwellings	296,855	
141,445	- Other Land and Buildings	147,929	
3,971	- Vehicles, Plant and Equipment	5,617	
20,943	- Community Assets	15,099	
9,968	- Assets Under Construction	20,634	
469,984			486,134
918	Heritage Assets (note 2b)		918
174,706	Investment Property (note 1)		168,150
145	Intangible Assets (note 1)		147
	Long-Term Investments (note 6)		
30,733	- Shareholdings in Companies		49,309
	Long-Term Debtors (note 7)		
6	- Mortgagees		284
236,716	- Others		396,401
913,208	Long Term Assets		1,101,343
	Short Term Investments (note 11)		8,001
4,000	Inventories (note 8)		61
71	Short Term Debtors (note 9)		24,682
17,675	Cash and Cash Equivalents (note 10)		40,104
10,148	Current Assets		72,848
31,894			
-67,578	Short-Term Borrowing (note 11)	-75,081	
-21,930	Short Term Creditors (note 12)	-16,894	
-187	Provision for accrued absences	-225	
-89,695	Current Liabilities		-92,200
	Provisions (note 16)	-3,968	
-1,447	Long-Term Borrowing (note 13)	-736,623	
-510,329	Liabilities from PFI & Similar Contracts (note 26)	-28,667	
-29,565	Liability related to pension scheme (pages 80-86)	-62,193	
-62,021	Capital Grants Receipts in Advance (note 14)	-14,565	
-7,408	Long Term Liabilities		-846,016
-610,770			
244,637	Net Assets		235,975

BALANCE SHEET

31 MARCH 2017		31 MARCH 2018	
£'000		£'000	£'000
1,000	General Fund		1,000
23,345	Earmarked Reserves - GF		29,376
10,167	Earmarked Reserves - HRA		6,896
502	Housing Revenue Account		498
0	Major Repairs Reserve		174
48,366	Capital Receipts Reserve		48,799
885	Capital Grants Unapplied		1,835
84,265	Usable Reserves		88,578
111,719	Revaluation Reserve		113,147
-62,021	Pensions Reserve (pension notes pages 80-86)		-62,193
109,667	Capital Adjustment Account		100,842
7	Deferred Capital Receipts		5
-1,012	Financial Instruments Adjustment Account		-997
-187	Employee Benefits Reserve		-225
2,199	Collection Fund Adjustment Account		-3,182
160,372	Unusable Reserves		147,397
244,637	TOTAL NET WORTH		235,975

For notes to the Balance Sheet see pages 48-68

For further information on reserve movements during the year, see the notes to the Movement in Reserves Statement on pages 32-39

CASH FLOW STATEMENT

2016/17		2017/18	
£'000		£'000	£'000
	<u>Revenue Activities</u>		
-12,619	Net surplus/deficit (-) on the provision of services	-13,374	
21,236	Adjust net surplus/deficit (-) for non-cash movements (Note 1)	15,299	
8,617	Net cash flow from operating activities		1,925
	<u>Investing activities</u>		
	<u>Cash Outflows</u>		
-80,029	Purchase of fixed assets and revenue expenditure funded from capital under statute	-65,629	
-96,206	Loans to subsidiaries and joint ventures	-162,421	
-3,600	Shareholdings in Companies	-18,576	
-179,835			-246,626
	<u>Cash Inflows</u>		
5,766	Sale of assets	14,756	
16,350	Capital grants received	28,908	
1,378	Movement in other long term debtors	615	
8,858	Other capital cash receipts	1,843	
32,352			46,122
-147,483	Net cash flow from investing activities		-200,504
-138,866	Net cash flow before financing		-198,579
	<u>Management of Liquid Resources</u> (Notes 3, 4)		
-4,000	Net movement in short term deposits	-4,001	
-4,000			-4,001
	<u>Financing Activities</u> (Notes 2, 3)		
	<u>Cash Outflows</u>		
-15,850	Repayments of long term borrowing	-8,964	
-87,004	Repayments of short term borrowing	-105,000	
-102,854			-113,964
	<u>Cash Inflows</u>		
131,850	New long term loans raised	245,500	
114,000	New short term loans raised	101,000	
245,850			346,500
142,996	Net cash flow from financing activities		232,536
138,996			228,535
130	Net increase/decrease (-) in cash and cash equivalents		29,956
10,018	Cash and cash equivalents at 1 April		10,148
10,148	Cash and cash equivalents at 31 March		40,104

For notes to the Cash Flow Statement see pages 69-70

MOVEMENT IN RESERVES STATEMENT EXPLANATORY NOTES

1. NOTE OF ADJUSTMENTS BETWEEN THE BASIS OF ACCOUNTS AND FUNDING REQUIRED BY REGULATION

	2017/18 £'000	2016/17 £'000
Surplus (-) or deficit for the year on the Comprehensive Income and Expenditure Statement	13,374	12,619
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	-13,374	-12,619
Increase in General Fund Balance for the Year	0	0
Balance on General Fund brought forward	1,000	1,000
Balance on General Fund carried forward	1,000	1,000

Amounts included in the Comprehensive Income and Expenditure Statement but required by statute to be excluded when determining the General Fund Balance for the year	2017/18 £'000	2016/17 £'000
Depreciation and impairment of fixed assets	-3,439	-3,057
Revaluation of fixed assets	-5,736	-23,094
Capital grants with no outstanding conditions	23,026	20,119
Write down of Revenue Expenditure Funded from Capital by Statute	-24,538	-13,512
Net gain/loss on sale of investment properties	0	-1,600
Amounts by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	15	214
Adjustments made for accumulated absences	-38	-29
Net charges made for retirement benefits in accordance with IAS19	-2,130	-874
	-12,840	-21,833
Amounts not included in the Comprehensive Income and Expenditure Statement but required to be included by statute when determining the Movement on the General Fund Balance for the year		
Minimum revenue provision for capital financing (a)	4,062	3,667
Transfer to/from Collection Fund adjustment account	-5,382	740
Transfer from Capital Receipts Reserve to meet payments to the Housing Capital Receipts Pool	-3,466	-1,616
	-4,786	2,791
Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year		
Housing Revenue Account balance	-4	5
Net transfer to (+) or from (-) earmarked reserves	4,256	6,418
	4,252	6,423
Net transfer to (+)/from (-) reserves required by legislation	-13,374	-12,619

(a) The Minimum Revenue Provision (MRP) is the statutory charge for capital financing and is based on the opening non-HRA Capital Financing Requirement (CFR). The CFR represents the debt liability within the balance sheet (excluding borrowing applied to loans to group companies), adjusted to take account of differences arising from the financial regime prior to April 2004. It has been calculated in line with the MRP strategy as approved by the Council on 9 February 2017.

The CFR arising prior to 2008/09 is subject to a 4% MRP (except for group company share purchases which are depreciated at 1%). Expenditure since 2008/09 has been written down based on an assessment of the asset's useful life.

Where expenditure was incurred that cannot be linked to an individual asset, asset lives have been assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure was involved, it has been grouped together in a manner which reflects the nature of the main component of expenditure, and only divided up in cases where there are two or more major components with substantially different useful economic lives.

2. EARMARKED RESERVES

	Balance 1.4.16 £'000	Receipts in Year £'000	Payments in Year £'000	Balance 1.4.17 £'000	Receipts in Year £'000	Payments in Year £'000	Balance 31.3.18 £'000
<u>General Fund</u>							
Investment Programme							
Reserves:							
- Investment Strategy Reserve	4,328	2,007	-1,352	4,983	6,085	-6,969	4,099
- Information Technology	0	180	-180	0	180	-180	0
Flexibility Reserve	88	10		98	10	-1	107
Freda Ebel Bequest	13			13			13
Insurance Fund	503	53	-35	521		-68	453
Community Fund	305	100	-181	224	306	-176	354
Leased Car Relief Vehicle Reserve	13		-4	9		-2	7
Parking Reserve	148	117	-105	160		-21	139
Environmental Reserve	35			35			35
Wolsey Place Reserve	7,427	1,201	-2,303	6,325	599	-1,009	5,915
Group Company Reserve	750			750			750
Peer Grant Reserve	38			38			38
New Homes Bonus Reserve	1,155	843	-646	1,352	620	-733	1,239
Woking Palace Reserve	25			25	12		37
Equipment Reserve	230	50		280	50		330
Westfield Common Reserve	35			35	18		53
Business Rate Equalisation	899	1,300		2,199	5,364	-1,561	6,002
Local Council Tax Support	48			48			48
Sheerwater Reserve	0			0	118		118
PFI Reserve	2,213	736	-196	2,753			2,753
Victoria Square Reserve	0	459		459	595	-258	796
MTFS Reserve	2,000	700		2,700	744		3,444
Town Centre Management Agreement Reserve	309	29		338	110	-216	232
Off Street Parking Reserve				0	1,000		1,000
Syrian Refugee Reserve				0	371		371
Homelessness Support Reserve				0	203		203
Dukes Court Reserve				0	840		840
	20,562	7,785	-5,002	23,345	17,225	-11,194	29,376
<u>Housing Revenue Account</u>							
Housing Investment Programme	8,445	2,309	-587	10,167	2,350	-5,621	6,896
Total Earmarked Reserves	29,007	10,094	-5,589	33,512	19,575	-16,815	36,272

The Investment Programme Reserves – Investment Strategy Reserve (formerly EPCS), Housing Investment Programme (HIP), and Information Technology (IT) will be used to finance Investment Programme projects, and are earmarked, by memoranda, for specific uses.

The Flexibility Reserve has been in existence since 1990/91 to enable Members to promote “one off” projects which do not give rise to increased recurring costs.

A bequest from Freda Ebel, a former user of day care at Westgate, is to be used for general purposes. This service is now at Brockhill, so customers there benefit from the bequest.

The Insurance Fund was established in 1977 in order to meet liabilities for which insurance cover was unavailable or not cost effective. Initially it included provision for potential claims for damages in respect of building control, but insurance cover for this has been effective from February 1983. However, there remains a potential liability for claims in respect of defects which become apparent before that date, and any liabilities arising as a result of Municipal Mutual Insurance ceasing to trade in 1993.

The Community Fund was established in 1982 to provide financial assistance to qualifying community organisations for the provision of new or improved facilities, or maintenance thereof for the benefit of persons living within the Borough. The criteria were extended in October 1984 to enable applications to be considered individually on merit from a wider range of local organisations established and operating for the residents of the Borough.

The Leased Car Relief Vehicle Reserve was established to provide relief vehicles as an alternative to using the service offered by the car leasing company.

The Parking Reserve has been established to hold separately the cumulative balance of the Controlled Parking Zone (CPZ) scheme.

The Environmental Reserve is credited with the net additional income from car park season tickets and taxi licensing due to the CO2 banding charges/discounts. This fund will be used to fund environmental projects.

The Wolsey Place Reserve was established in 2009/10 to meet any market variations in rental income and other costs incurred during redevelopment phases. In September 2011 it was credited with a £10 million receipt on surrender of a lease by a tenant of Export House. The balance has partly been used to mitigate costs relating to the property in particular until new tenants were identified.

The Group Company Reserve was established during 2010/11 to provide a fund against the risks associated with the Thamesway group company business plans.

The Peer Grant Reserve holds unspent funds relating to this grant.

The New Homes bonus reserve was created following the introduction of the funding by the government in 2011/12 which is intended to fund infrastructure costs arising from developments including the Community Assets Programme.

The Woking Palace Reserve was established during 2011/12 to hold funds earmarked for the Woking Palace Vision Project and Conservation Management Plan.

The Equipment Reserve is a reserve established during 2012/13 to hold funds earmarked for renewing minor items of equipment.

The Westfield Common Reserve is a reserve established during 2012/13 to hold funds earmarked for improving Westfield Common.

The Business Rate Equalisation Reserve is a reserve established during 2012/13 to hold funds earmarked to mitigate fluctuations in business rates income.

The Local Council Tax Support Scheme Reserve is a reserve established during 2012/13 to hold funds earmarked for hardship relief.

The PFI Reserve was established in 2013/14 to hold funds earmarked for the PFI scheme at Moor Lane and to mitigate fluctuations in cash flows related to the scheme.

The Victoria Square Reserve has been established to hold the arrangement fees from loans to Victoria Square Woking Ltd. The reserve will be used to defray costs to the Council and assist in managing any adverse impact during the construction period.

The Medium Term Financial Strategy (MTFS) Reserve was established in 2015/16 to hold funds earmarked to mitigate central government changes to local government funding in order to allow time for the Council's medium term strategy to be implemented.

The Town Centre Management Agreement Reserve is a reserve established during 2013/14 to hold funds earmarked for the management of the highway network within the town centre.

The Off-Street Parking Reserve is a reserve established during 2017/18 to hold funds earmarked to supplement the income generated from new parking facilities while activity increases to projected levels.

The Syrian Refugee Reserve was established in 2017/18 to hold funds earmarked for the Syrian Refugee Programme. Home Office funding is paid on a per family basis and is phased across a number of years. The corresponding expenditure does not entirely match the profiling of the funding and any annual surplus is held in reserves to be used in future years.

The Sheerwater regeneration is to be funded by loan finance from the Council. In April 2017 the Council agreed that funding will be advanced at cost to the Council with a 1% arrangement fee. The arrangement fee is charged in total on the initial access to the loan facility. The income generated will be set aside in a Sheerwater Regeneration Reserve and used to cover the direct costs to the Council of the scheme.

The Dukes Court reserve has been established to create a fund to meet future landlord investment in the building and to meet any rental shortfalls.

The Homelessness Support Reserve was established in 2017/18 to hold any additional homelessness prevention funding. This is to be used in future years to help mitigate the impact of the Homelessness Reduction Act on Housing Needs budgets. The additional funding is being utilised to provide additional services rather than being taken as a saving to reduce the cost of the Council's existing Housing services.

3. USABLE CAPITAL RECEIPTS

The Usable Capital Receipts reserve shows the funds available from the sale of Council assets.

	2017/18	2016/17
	£'000	£'000
<u>Movements in realised capital resources</u>		
Amounts receivable	16,601	13,024
Transfer of principal repayments (rec'd) from Deferred Capital Receipts	0	1,352
Amounts transferred to DCLG for Pooling	-3,466	-1,616
Amounts used to offset Sale of Council Houses Admin	-26	-33
Amounts applied to finance new capital expenditure	-12,676	-1,608
Total increase/decrease(-) in realised capital resources	433	11,119
Balance brought forward at 1 April	48,366	37,247
Balance carried forward at 31 March	48,799	48,366
Group company loan repayments	44,951	43,108
Held for replacement housing	4,224	4,223
Held for other investment programme use	-376	1,035
	48,799	48,366

4. MAJOR REPAIRS RESERVE

The Major Repairs Reserve is credited with a Major Repairs Contribution, equivalent to depreciation, and is used to fund improvements to the Council's Housing Stock.

	2017/18	2016/17
	£'000	£'000
Expenditure financed from the Major Repairs Reserve	-3,622	-5,430
HRA Depreciation transferred from Capital Adjustment Account	3,796	3,871
Total movement on the Major Repairs Reserve	<u>174</u>	<u>-1,559</u>
Balance brought forward at 1 April	0	1,559
Balance carried forward at 31 March	<u>174</u>	<u>0</u>

For further information on the Major Repairs Reserve and the Major Repairs Contribution see note 4 to the Housing Revenue Account on page 74.

5. CAPITAL GRANTS UNAPPLIED

The capital grants unapplied balance represents grants which have not been used at the balance sheet date. These grants do not have conditions which could result in the income being repayable.

	2017/18	2016/17
	£'000	£'000
Usable capital grants receivable	20,907	16,817
Capital grant unspent with no conditions transferred from I&E	1,305	323
Grant income transferred to I&E	-20,907	-16,817
Use of prior year capital grants to finance capital expenditure	-355	-77
Total movement on Capital Grants Unapplied	<u>950</u>	<u>246</u>
Balance brought forward at 1 April	885	639
Balance carried forward at 31 March	<u>1,835</u>	<u>885</u>

6. REVALUATION RESERVE

The Revaluation Reserve represents the balance of the surpluses or deficits arising on the revaluation of fixed assets since 1 April 2007.

	2017/18	2016/17
	£'000	£'000
<u>Movements in unrealised value of fixed assets</u>		
Gains \ losses(-) on revaluation of fixed assets	2,753	23,446
Depreciation On Revalued Assets	-1,325	-1,049
Total increase in unrealised capital resources	<u>1,428</u>	<u>22,397</u>
Balance brought forward at 1 April	111,719	89,322
Balance carried forward at 31 March	<u>113,147</u>	<u>111,719</u>

7. PENSIONS RESERVE

The Pension Reserve represents the Council's liability in relation to retirement benefits.

	2017/18	2016/17
	£'000	£'000
Difference between amounts charged to the Comprehensive Income and Expenditure Statement and actual amounts payable in the year	-2,130	-874
Actuarial gains/(losses)	1,958	-10,422
Total movement on the pension reserve	<u>-172</u>	<u>-11,296</u>
Balance brought forward at 1 April	-62,021	-50,725
Balance carried forward at 31 March	<u>-62,193</u>	<u>-62,021</u>

7. PENSIONS RESERVE (cont.)

	Year to 31 March 2018 £'000	Year to 31 March 2017 £'000	Year to 31 March 2016 £'000
Balance brought forward at 1 April	-45,726	-37,086	-31,709
Actuarial Gain/(Losses) recognised in Movement in Reserves Statement	1,958	-8,640	-5,377
Cumulative Actuarial Gain and Losses at 31 March	<u>-43,768</u>	<u>-45,726</u>	<u>-37,086</u>

For further information on the Pension Fund, see pensions explanatory notes on pages 80-86.

8. CAPITAL ADJUSTMENT ACCOUNT

The Capital Adjustment Account represents amounts set aside from revenue resources or capital receipts to finance expenditure on fixed assets or for the repayment of external loans and other capital financing transactions.

	2017/18 £'000	2016/17 £'000
<u>Amounts applied to Capital Investment:</u>		
Useable receipts applied	12,676	1,608
Amounts applied from Major Repairs Reserve	3,622	5,430
Amounts applied from HIP Reserve	887	256
Revenue reserves applied:		
- Investment Strategy Reserve	368	652
- Community Fund	74	66
- Insurance Reserve	0	1
- IT Reserve	180	180
- PFI Reserve	0	165
- Wolsey Place Reserve	6	628
- Victoria Square Reserve	6	0
- Equipment Reserve	0	0
Total amounts applied to Capital Investment	<u>17,819</u>	<u>8,986</u>
<u>Amounts transferred to the General Fund balance</u>		
Write down Revenue Expenditure Funded from Capital by Statute	-24,538	-13,512
Grants and Contributions applied	21,721	19,796
Grant and Contributions applied from prior year grants	355	77
Provision for loan repayment (MRP)	4,062	3,667
Less: Depreciation	-3,437	-3,057
Plus: Depreciation on Revalued Assets	1,325	1,049
Total transfer to the General Fund	<u>-512</u>	<u>8,020</u>
Transfer HRA depreciation to Major Repairs	-3,796	-3,871
Write down of long term debtors	-1,844	-8,870
Disposal Of Fixed Assets	-14,756	-5,766
Investment Property Revaluations	531	-11,912
Revaluation increase\decreases recognised in the Provision of Services	-6,267	-11,182
Total increase in amounts set aside to finance capital investment	<u>-8,825</u>	<u>-24,595</u>
Balance brought forward at 1 April	109,667	134,262
Balance carried forward at 31 March	<u>100,842</u>	<u>109,667</u>

9. DEFERRED CAPITAL RECEIPTS

Deferred Capital Receipts are amounts due on the disposal of assets (such as land and Council houses) where the sale price is received in instalments over an agreed period of time. The amounts outstanding are shown in short term or long term debtors as appropriate.

	31 March 2017 £'000	2017/18 Additions £'000	2017/18 Transfer out £'000	31 March 2018 £'000
Sale of Council House Mortgages	7	0	-2	5
Deferred Capital Receipts	7	0	-2	5

10. FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

The Financial Instruments Adjustment Account was introduced in 2007/08. The Opening Balance represented the impact of restating LOBOs to amortised cost basis at 31 March 2007. The movements in the reserve represent the difference between interest costs calculated in accordance with the Code using the effective interest rate approach and interest costs calculated in accordance with statutory requirements.

	2017/18 £'000	2016/17 £'000
<u>Movements in financial instruments</u>		
Overhanging premia written off to I&E	16	16
Being adjustment to value of soft loan	-4	-16
Being adjustment to I&E to reflect LOBO Effective Interest Rate	3	214
Total adjustment in financial instruments	15	214
Balance brought forward at 1 April	-1,012	-1,226
Balance carried forward at 31 March	-997	-1,012

11. EMPLOYEE BENEFITS RESERVE

This reserve recognises when employees render service and increase their entitlement to future benefit and therefore measures the additional amount the authority expects to pay as a result of unused entitlement (e.g. accrued leave).

	2017/18 £'000	2016/17 £'000
Movement in year - General Fund	31	22
Movement in year - HRA	7	7
Total adjustment	38	29
Balance brought forward at 1 April	187	158
Balance carried forward at 31 March	225	187

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT EXPLANATORY NOTES

1. a) EXPENDITURE AND FUNDING ANALYSIS

2017/2018

	Net Expenditure Chargeable to the General Fund & HRA Balances	Adjustments between Funding and Accounting Basis Note 1.b)	Net Expenditure in the Comprehensive Income & Expenditure Statement
	£000	£000	£000
People	7,555	-2,179	5,376
Place	-4,506	18,035	13,529
Us	4,591	741	5,332
Council Housing (Housing Revenue Account)	-6,816	5,062	-1,754
Investment Programme Projects (General Fund)	2,416	441	2,857
NET COST OF SERVICES	3,240	22,100	25,340
Other income and expenditure	-5,997	-5,968	-11,965
Surplus (-) or deficit on Provision of Services	-2,757	16,132	13,375
Opening General Fund & HRA Balance at 1 April	35,014		
Deficit(-)/Surplus(+) on General Fund & HRA Balance in Year	2,757		
Closing General Fund & HRA Balance at 31 March	37,771		

Analysed between General Fund & HRA Balances

	General Fund £000	HRA £000	Total £000
Opening General Fund & HRA Balance at 1 April	24,345	10,669	35,014
Less Deficit/Surplus(-) on General Fund & HRA Balance in Year	6,031	-3,274	2,757
Closing General Fund & HRA Balance at 31 March	30,376	7,395	37,771

2016/2017

	Net Expenditure Chargeable to the General Fund & HRA Balances	Adjustments between Funding and Accounting Basis Note 1.b)	Net Expenditure in the Comprehensive Income & Expenditure Statement
	£000	£000	£000
People	7,543	1,793	9,336
Place	-2,381	16,929	14,548
Us	5,087	-213	4,874
Council Housing (Housing Revenue Account)	-6,947	30	-6,917
Investment Programme Projects	1,487	-8,454	-6,967
NET COST OF SERVICES	4,789	10,085	14,874
Other income and expenditure	-9,297	7,043	-2,254
Surplus (-) or deficit on Provision of Services	-4,508	17,128	12,620
Opening General Fund & HRA Balance at 1 April	30,504		
Less Deficit/Surplus(-) on General Fund & HRA Balance in Year	4,508		
Closing General Fund & HRA Balance at 31 March	35,012		

Analysed between General Fund & HRA Balances

	General Fund	HRA	Total
Opening General Fund & HRA Balance at 1 April	21,562	8,942	30,504
Less Deficit/(Surplus) on General Fund & HRA Balance in Year	2,780	1,728	4,508
Closing General Fund & HRA Balance at 31 March	24,342	10,670	35,012

1. B) EXPENDITURE AND FUNDING ANALYSIS: ADJUSTMENTS BETWEEN FUNDING AND ACCOUNTING BASIS

Adjustments to arrive at the Comprehensive Income and Expenditure Statement amounts in 2017/18	Adjustments for Capital Purposes (Note i)	Net change for the Pensions Adjustments (Note ii)	Other Differences (Note iii)	Total Adjustments
	£000	£000	£000	£000
People	-2,337	158		-2,179
Place	8,103	284	9,647	18,034
Us	282	256	203	741
Council Housing (Housing Revenue Account)	4,952	103	7	5,062
Investment Programme - REFFCUS (Note vi)	24,535			24,535
Investment Programme - Grants/Other Income (Notes vii)			-24,094	-24,094
	<u>35,535</u>	<u>801</u>	<u>-14,237</u>	<u>22,099</u>
Other income and expenditure from the Funding Analysis (Note v)	<u>-26,954</u>	<u>1,329</u>	<u>19,657</u>	<u>-5,968</u>
Difference between the General Fund and Comprehensive Income and Expenditure Surplus or Deficit (Note iv)	<u>8,581</u>	<u>2,130</u>	<u>5,420</u>	<u>16,131</u>

Notes

i) Column includes depreciation and impairment and gains and losses and Revenue Expenditure Funded from Capital under Statute (REFFCUS) and Investment Programme Projects charged to the Housing Revenue Account.

ii) Column includes pension adjustments required by IAS19.

iii) Column includes:

- investment properties which are included in "Place" but appear in "Financing and Investment Income & Expenditure" in the Comprehensive Income and Expenditure Statement (not in "Net Cost Services").
- adjustments to "Us" in respect of items previously shown as "Non distributed costs" and "Other Financial Adjustments" (see note 3.) which appear in "Net Cost Services" but are not included in People, Place and Us.
- Grants and other income (see vii).

iv) Total adjustments agrees to the "Adjustments between accounting basis & funding basis under regulations" in respect of the General Fund and Housing Revenue Account (columns) in the Movement in Reserves Statement on page 24.

v) Income and expenditure not included in Net Cost of Services but included in Comprehensive Income and Expenditure Surplus or Deficit.

vi) Row includes write downs of Investment Programme projects classified as Revenue Expenditure Funded from Capital under Statute (REFFCUS).

vii) Row includes grants related to Investment Programme Projects and income from the Moor Lane PFI developer in respect of access over WBC property (£0 in 2017/18 and £1,345,075 in 2016/17).

Adjustments to arrive at the Comprehensive Income and Expenditure Statement amounts in 2016/17	Adjustments for Capital Purposes (Note i)	Net change for the Pensions Adjustments (Note ii)	Other Differences (Note iii)	Total Adjustments
	£000	£000	£000	£000
People	1,921	-127		1,794
Place	9,382	-216	7,762	16,928
Us	-103	-200	90	-213
Council Housing (Housing Revenue Account)	200	-177	7	30
Investment Programme - REFFCUS (Note vi)	13,509			13,509
Investment Programme - Grants/Other Income (Notes vii)			-21,963	-21,963
	<u>24,909</u>	<u>-720</u>	<u>-14,104</u>	<u>10,085</u>
Other income and expenditure from the Funding Analysis (Note v)	<u>-7,945</u>	<u>1,594</u>	<u>13,393</u>	<u>7,042</u>
Difference between the General Fund and Comprehensive Income and Expenditure Surplus or Deficit (Note iv)	<u>16,964</u>	<u>874</u>	<u>-711</u>	<u>17,127</u>

2. AGENCY SERVICES

The Council continues to administer on-street parking arrangements, town centre maintenance functions and tree and verge maintenance on behalf of Surrey County Council. Rent is collected on behalf of Thamesway Housing Limited and paid over to them but is not recorded as income or expenditure in the Council's own financial statements.

3. OTHER FINANCIAL ADJUSTMENTS

These adjustments are made up as follows:

	<u>2017/18</u>	<u>2016/17</u>
	£'000	£'000
Balance from Salary Cost Units	-4	0
Increase in Bad Debts provision	148	-73
Debit/Credit(-) on Insurance Fund	67	-53
Other miscellaneous transactions	-102	5
	<u>109</u>	<u>-121</u>

4. MEMBERS' ALLOWANCES

Members' Allowances of £263,922 are included in the Comprehensive Income and Expenditure Statement for 2017/18, compared with £288,464 for 2016/17. This includes telephone, broadband, Blackberry/iPad, travel and dependant care allowances. In addition, all Members qualify for Car Park Season tickets.

5. OPERATING LEASES

The Council leases property, vehicles and a small number of pieces of equipment. The cost incurred in the year is included in the Comprehensive Income and Expenditure Statement.

	<u>Lease Payments</u>	
	<u>2017/18</u>	<u>2016/17</u>
	£'000	£'000
Property	1,148	1,182
Vehicles	231	269
Other Equipment	14	14
	<u>1,393</u>	<u>1,465</u>

	<u>Lease payments due:</u>		
	<u>Within 1 year</u>	<u>2-5 years</u>	<u>Over 5 years</u>
	£'000	£'000	£'000
<u>2017/18</u>			
Property	1,076	1,264	5,982
Vehicles	167	129	0
Other Equipment	14	16	0
	<u>1,257</u>	<u>1,409</u>	<u>5,982</u>
<u>2016/17</u>			
Property	1,106	2,072	6,094
Vehicles	214	163	0
Other Equipment	14	30	0
	<u>1,334</u>	<u>2,265</u>	<u>6,094</u>

In addition the Council generates income from property leases, amounting to £14.7m in 2017/18 (£12.4m in 2016/17). Ongoing leases will generate future income of £8m in 2018/19, £18m in 2019/20 to 2021/22 and £120m in 2022/23 onwards.

6. RELATED PARTIES

The only material related party relationships involving Members or Chief Officers in 2017/18 are in respect of the Council's subsidiary companies and joint ventures. Details of investments in companies in the Thamesway group and other joint ventures and subsidiaries during the year, along with the loans made to these companies during 2017/18, are detailed fully in note 6 and note 7 to the Balance Sheet.

The Council paid Thamesway Energy Limited (TEL) £2.8m for the provision of energy services to council owned properties, £9k to Thamesway Sustainable Communities Limited for consultancy support, £154k to Thamesway Maintenance Services Ltd for maintenance and upgrade works. Income of £529k was received from the sale of surplus energy, rents and in respect of administrative support and trademark licence fees.

The Council made loans to Thamesway Central Milton Keynes Ltd (TCMK), £3.85 million, Thamesway Housing, £3.75 million, Thamesway Developments Ltd on behalf of Thamesway Housing, £21.75 million, Thamesway Developments Ltd relating to the Sheerwater Regeneration, £2 million, Thamesway Energy Limited for Poole Road Energy Centre, £1 million, Thamesway Housing Limited for Sheerwater property purchases and assisted purchases, £10.17 million, Victoria Square Woking Ltd, £60.54 million, to provide the companies with resources to advance their businesses, and Dukes Court, £59.35 million. In addition the Council invested a further £6.575 million in Thamesway Ltd share capital and £12 million in Dukes Court share capital.

Transactions with organisations grant aided by the Council and where there is a Member or Officer registered interest have been reviewed. In no cases is it considered that these are material to the Council, or the organisation concerned, or that control or significant influence is exercised through this relationship.

The Council is also involved in significant financial transactions with Surrey County Council and Surrey Police and Crime Commissioner, which are included in the Collection Fund on page 74. Central UK Government exerts significant influence through legislation and grant funding, transactions with the government are incorporated in the Collection Fund, Comprehensive Income and Expenditure Statement, Housing Revenue Account and Cash Flow Statement.

7. BUILDING CONTROL

	<u>Chargeable</u> £'000	<u>Non</u> <u>Chargeable</u> £'000	<u>Total</u> £'000
<u>Expenditure 2017/18</u>			
Employee expenses	219	223	442
Supplies and services	72	1	73
Central and support service charges	13	13	26
	<u>304</u>	<u>237</u>	<u>541</u>
<u>Income 2017/18</u>			
Building regulation charges	389	0	389
Surplus/Deficit (-) 2017/18	85	-237	-152
<u>Expenditure 2016/17</u>			
Employee expenses	210	184	394
Supplies and services	64	0	64
Central and support service charges	12	11	23
	<u>286</u>	<u>195</u>	<u>481</u>
<u>Income 2016/17</u>			
Building regulation charges	371	0	371
Surplus/Deficit (-) 2016/17	85	-195	-110

8. DEBTS WRITTEN OFF UNDER DELEGATED AUTHORITY

<u>2017/18</u>	Number	Value £
Debtors absconded	31	14,626
Debtors in liquidation/bankrupt etc.	169	162,848
Debtors deceased	20	6,908
Debts time barred	1	1,500
Debts uneconomical to pursue	706	219,165
Debts otherwise irrecoverable	216	195,865
Debts with Credit Balance written off	798	-84,839
Debtors Legal Fees written off	87	7,330
	2,028	523,403

<u>2016/17</u>		£
Debtors absconded	274	98,721
Debtors in liquidation/bankrupt etc.	142	258,303
Debtors deceased	44	22,070
Debts time barred	3	9,005
Debts uneconomical to pursue	252	83,040
Debts otherwise irrecoverable	1,549	1,073,723
Debts with Credit Balance written off	1,157	-99,920
Debtors Legal Fees written off	29	1,686
	3,450	1,446,628

9. EXTERNAL AUDIT FEES

	<u>2017/18</u> £'000	<u>2016/17</u> £'000
Fees payable to the external auditors:		
- in respect of statutory Code of Practice audits	55	55
- for the certification of grant claims and returns	12	9
	67	64

10. IMPAIRMENT

The net revaluation movement recognised in the Surplus/Deficit on the Provision of Services included a £4,563,663 and £12,050,000 revaluation loss Other Land and Buildings and Investment Property assets respectively in 2017/18 (£11,182,000 and £12,751,904 in 2016/17). See note 1 in the notes to the Balance Sheet for the overall revaluation movement on these classes of assets. Revaluation losses are charged to the Comprehensive Income and Expenditure Statement for assets which do not have a sufficient balance on the Revaluation Reserve to cover their fall in value. Changes in the fair value of Investment Property are reported separately on the Comprehensive Income and Expenditure Statement.

The reduced valuations have no impact on the General Fund or Housing Revenue Account balances as they are required by statute to be excluded when determining the General Fund Balance for the year.

11. EXIT PACKAGES

<u>Cost band</u>	<u>Number of Employees</u>	
	<u>2017/18</u>	<u>2016/17</u>
Upto £9,999	8	1
£10,000 to £19,999	1	0
£20,000 to £29,999	3	7
£30,000 to £39,999	2	4
£40,000 to £49,999	2	1
£50,000 to £59,999	1	-
£60,000 to £69,999	-	1
£70,000 to £79,999	-	-
£80,000 to £89,999	-	-
£90,000 to £99,999	-	-
£100,000 to £109,999	-	-
£110,000 to £119,999	-	-
£120,000 to £129,999	-	-
£130,000 to £139,999	-	-
£140,000 to £149,999	-	-
£150,000 to £199,999	-	-
	17	14

The total cost of exit packages charged to the authority's Comprehensive Income and Expenditure Statement in the current year is £321,372 (£422,223 in 2016/17). There were no compulsory redundancies in 2017/18 or 2016/17.

12. REMUNERATION TO EMPLOYEES OVER £50,000

<u>Remuneration band</u>	<u>Number of Employees</u>	
	<u>2017/18</u>	<u>2016/17</u>
£50,000 to £54,999	14	14
£55,000 to £59,999	3	7
£60,000 to £64,999	10	4
£65,000 to £69,999	4	3
£70,000 to £74,999	3	2
£75,000 to £79,999	-	2
£80,000 to £84,999	1	-
£85,000 to £89,999	1	-
£90,000 to £94,999	-	-
£95,000 to £99,999	1	1
£100,000 to £104,999	-	-
£105,000 to £109,999	-	1
£110,000 to £114,999	-	1
£115,000 to £119,999	1	-
£120,000 to £124,999	-	-
£125,000 to £129,999	1	1
£130,000 to £134,999	-	-
£135,000 to £139,999	-	-
£140,000 to £144,999	-	-
£145,000 to £149,999	-	-
£150,000 to £154,999	-	-
	39	36

The bandings include the number of employees whose remuneration, excluding employer's pension contributions, was £50,000 or more. The bandings include the remuneration of senior employees who have been listed individually in note 13.

13. PAYMENTS TO SENIOR MANAGERS

Annual remuneration paid to Senior Officers who are defined as Corporate Management Group members.

Post holder information (Post title)	Annual Remuneration (Including fees & allowances)	Compensation for loss of office	Total Remuneration excluding pension contributions 2017/18	Pension contributions	Total Remuneration including pension contributions 2017/18	Total Remuneration including pension contributions 2016/17
	£	£	£	£	£	£
Chief Executive (Note 1)	128,584	0	128,584	0	128,584	129,911
Deputy Chief Executive (Note 1)	117,415	0	117,415	17,119	134,534	131,500
Strategic Director (Note 2)	0	65,000	65,000	0	65,000	125,556
Strategic Director (Note 1)	96,770	0	96,770	13,742	110,512	108,817
Head of Democratic and Legal Services (Note 1)	87,916	0	87,916	12,605	100,521	90,640
Finance Director (Chief Finance Officer) (Note 3)	69,412	0	69,412	10,056	79,468	61,180
	500,097	65,000	565,097	53,521	618,618	647,604

Note 1: Includes payments for County Election, General Election and West Byfleet Neighbourhood Plan Referendum duties held during 2017/18.

Note 2: The Strategic Director's post became redundant on 30th April 2017. The compensation for loss of office was paid in 2017/18 but was agreed prior to 31 March 2017 and was therefore accrued in 2016/17.

Note 3: The Finance Director works 30 hours per week. The annualised remuneration is equivalent to £84,182.

14. EXPENDITURE AND INCOME ANALYSED BY NATURE

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

Expenditure/Income	2017/18 £'000	2016/17 £'000
Expenditure		
Employee benefit expenses	19,205	17,258
Other services expenses	68,845	62,933
Depreciation, amortisation, impairment	37,363	45,099
Interest payments	22,447	17,527
Payments to Housing Capital Receipts Pool	3,466	1,616
Total Expenditure	151,326	144,433
Income		
Fees, charges and other service income	108,694	102,906
Interest and investment income	13,148	9,671
Income from council tax and non-domestic rates	11,036	13,149
Government grants and contributions	5,074	6,086
Total Income	137,952	131,812
Surplus or Deficit on the Provision of Services	13,374	12,621

BALANCE SHEET EXPLANATORY NOTES

1. MOVEMENT OF FIXED ASSETS

	Council Dwellings	Other Land & Buildings	Vehicles and Plant	Community Assets	Investment Properties	Assets Under Construction	Intangible Assets	Heritage Assets	Assets Held For Sale	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost Or Valuation										
At 1 April 2017	293,656	142,628	18,554	20,943	174,707	9,968	773	918	0	662,147
Additions (b)	11,251	3,300	2,529	131	7,079	10,241	38	0	0	34,569
Accumulated Depreciation & Impairment Written Off To Gross Carrying Amount	0	-1,607	0	0	0	0	0	0	0	-1,607
Revaluation increases/decreases(-) recognised in the Revaluation Reserve (c) & (d)	-251	3,415	0	-411	0	0	0	0	0	2,753
Revaluation increases/decreases(-) recognised in the Surplus/Deficit on the Provision of Services (c) & (d)	0	-2,072	0	-4,195	531	0	0	0	0	-5,736
Derecognition - Disposals	-4,006	0	0	0	-10,750	0	0	0	0	-14,756
Derecognition - Other	0	0	0	0	0	0	0	0	0	0
Other Movement In Costs or Valuation	0	4,360	0	-1,369	-3,416	425	0	0	0	0
At 31 March 2018	300,650	150,024	21,083	15,099	168,151	20,634	811	918	0	677,370
Accumulated Depreciation & Impairment										
At 1 April 2017	0	-1,183	-14,584	0	0	0	-628	0	0	-16,395
Depreciation Charge for 2017/18	-3,795	-2,519	-882				-36			-7,232
Accumulated Depreciation & Impairment Written Off To Gross Carrying Amount	0	1,607	0	0	0	0	0	0	0	1,607
Derecognition - Other	0	0	0	0	0	0	0	0	0	0
At 31 March 2018	-3,795	-2,095	-15,466	0	0	0	-664	0	0	-22,020
Net Book Value										
At 31 March 2018	296,855	147,929	5,617	15,099	168,151	20,634	147	918	0	655,350
At 31 March 2017	293,656	141,445	3,970	20,943	174,707	9,968	145	918	0	645,752

	Council Dwellings	Other Land & Buildings	Vehicles and Plant	Community Assets	Investment Properties	Assets Under Construction	Intangible Assets	Heritage Assets	Assets Held For Sale	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost Or Valuation										
At 1 April 2016	277,042	132,724	17,525	19,564	142,986	434	711	832	0	591,818
Additions (b)	7,095	16,887	1,029	1,379	45,429	9,534	62	18	0	81,433
Accumulated Depreciation & Impairment Written Off To Gross Carrying Amount	-3,871	-1,819	0	0	0	0	0	0	0	-5,690
Revaluation increases/decreases(-) recognised in the Revaluation Reserve (c) & (d)	17,556	5,822	0	0	0	0	0	68	0	23,446
Revaluation increases/decreases(-) recognised in the Surplus/Deficit on the Provision of Services (c) & (d)	0	-11,182	0	0	-11,912	0	0	0	0	-23,094
Derecognition - Disposals	-4,166	0	0	0	-1,600	0	0	0	0	-5,766
Derecognition - Other	0	0	0	0	0	0	0	0	0	0
Other Movement In Costs or Valuation	0	196	0	0	-196	0	0	0	0	0
At 31 March 2017	293,656	142,628	18,554	20,943	174,707	9,968	773	918	0	662,147
Accumulated Depreciation & Impairment										
At 1 April 2016	0	-766	-13,786	0	0	0	-605	0	0	-15,157
Depreciation Charge for 2016/17	-3,871	-2,236	-798	0	0	0	-23	0	0	-6,928
Accumulated Depreciation & Impairment Written Off To Gross Carrying Amount	3,871	1,819	0	0	0	0	0	0	0	5,690
Derecognition - Other	0	0	0	0	0	0	0	0	0	0
At 31 March 2017	0	-1,183	-14,584	0	0	0	-628	0	0	-16,395
Net Book Value										
At 31 March 2017	293,656	141,445	3,970	20,943	174,707	9,968	145	918	0	645,752
At 31 March 2016	277,042	131,958	3,739	19,564	142,986	434	106	832	0	576,661

BALANCE SHEET EXPLANATORY NOTES

(a) The net assets employed by the General Fund and the Housing Revenue Account at 31 March:

	2018 £'000	2017 £'000
General Fund	358,495	352,096
Housing	296,855	293,656
Net Assets at 31 March	<u>655,350</u>	<u>645,752</u>

	2017/18 £'000	2016/17 £'000
(b) Total Expenditure on capital investment	240,643	194,945
Less: expenditure where no asset is owned by the Council	<u>-206,074</u>	<u>-113,512</u>
Additions to fixed assets and assets under construction	<u>34,569</u>	<u>81,433</u>

All additions to intangible assets were purchased software licences. Additions to Investment Properties were £4,224,320 acquired assets (£43,081,000 in 2016/17) and £2,855,082 subsequent expenditure on owned assets (£2,348,000 2016/17).

Additions include £302,600 borrowing costs (£207,072 in 2016/17), capitalised in accordance with the Council's policy using the average in year project expenditure and the Council's average borrowing rate.

The significant items of capital expenditure were:

	2017/18 £'000	2016/17 £'000
Renovation, Improvement & Purchase of Council Dwellings	11,251	7,095
Improvement Grants & Other Major Deferred Charges	24,007	12,221
Loan & Capitalisation Payments To Group Co's & Other Organisations	110,449	100,000
Wolsey Place Investment	580	1,784
Lakeview Community Centre	0	709
Ten Acre Farm	134	1,369
SAN VMWare Upgrade	0	513
The Lightbox Transfer	0	251
Recognition Of The Fair Value Of The Moor Lane PFI	0	16,002
Provincial House Alterations	89	156
Hoe Valley School Sports Facilities	8,806	8,714
1 Guildford Road	0	592
Cleary Court	257	3,569
Morris House	1,253	4,661
6 Church Street West	347	11,528
Orion Gate	163	22,731
Civic Offices Ground Floor Works	1,250	0
34 High Street, Old Woking Purchase	1,014	0
Format House Purchase	1,792	0
7 Hill View Road Purchase	753	0
13 High Street Purchase	702	0
81 Westfield Avenue Purchase	696	0
1 Smarts Heath Road	951	0
West Hill Cottage Purchase	704	0
Waste Vehicles Purchase	2,101	0

(c) Council Dwellings have been revalued as at 31 March 2018. Classes of assets based on type are re-valued on a five year rolling programme as a minimum. Assets are revalued more regularly where a five yearly valuation is insufficient to keep pace with material changes in fair value.

(d) For details of impairment please see note 10 in the Comprehensive Income and Expenditure Statement Explanatory Notes. The £1,343,000 net revaluation gain on Other Land & Buildings included a £5,909,000 revaluation loss due to a fall in value for some assets. £1,345,000 of this was charged directly to the Revaluation Reserve in 2017/18 offsetting previous upward revaluations.

2. INFORMATION ON ASSETS HELD

Woking Borough Council owned the following assets at 31 March:

	2018 Number	2017 Number
Dwellings (HRA and General Fund)	3,324	3,338
Multi-Storey Car Parks	5	5
Surface Car Parks	10	10
Depots	2	1
Parks, Open Spaces, Commons (hectares)	308	308
Allotments (hectares)	16	16
Lake	1	1
Athletics Arena	1	1
Swimming Pools	1	1
Leisure Centre	1	1
Entertainment Centre	1	1
Conference Centre	1	1
General Market	2	2
Public Conveniences	15	15
Centres for the Community	6	6
Recycling Centre	1	1
Land at Brookwood Cemetery	1	1
Shopping Centres	2	2
Shops	36	36
Civic Offices (including Mobility Exchange)	1	1
Neighbourhood Offices	0	0
Community Facilities	30	30
Pavilions	16	16
Other Properties (including investment properties)	49	45
Industrial Estates	6	6
Tennis Centre	1	1
Library	1	1
Childrens' Nurseries	2	2
Theatre Cinema Complex	1	1
Doctors\Dentist Surgeries	5	5
Boat House	1	1
Other miscellaneous Community Assets	17	17
Land for Development (hectares)	11	11

2b. HERITAGE ASSETS

In addition to the assets listed above, the Council owns the following heritage assets:-

	2017/18		2016/17	
	Number	£'000	Number	£'000
Fountains	1	100	1	100
Sculptures and Statues	9	303	9	303
Works of Art and Murals	11	222	11	222
Civic Regalia	4	169	4	169
Town Gates and War Memorial	2	124	2	124
	27	918	27	918

Heritage assets are reported in the Balance Sheet at their insurance valuation where available. Where no such valuation is available, then historic cost is used in the first instance, otherwise an estimate of the asset's value is made.

The Council owns Woking Palace, a Scheduled Historic Monument. It was the former hunting lodge of King Henry VIII, although now it is mainly a ruin, set within a moated area. There is a small vaulted building which remains, although this is in poor condition. It is not possible to value this asset as the methods, skills and materials to rebuild it no longer exist. Historic cost information is not available as it was originally built 600 years ago and therefore it is not included in the balance sheets at 31 March 2018 or 31 March 2017.

2c. 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.

Assets held for Sale Assets are assets where the:

- Asset is immediately available for sale.
- Sale is highly probable.
- Asset is actively marketed.
- Sale is expected to be completed within 12 months.

No assets satisfied this criteria as at 31 March 2018 or 31 March 2017.

3. CAPITAL FINANCING	2017/18	2016/17
	£'000	£'000
<u>Capital Investment</u>		
Property, Plant and Equipment	27,452	35,924
Investment Properties	7,079	45,429
Intangible Assets	38	62
Heritage Assets	0	18
Revenue Expenditure Funded from Capital under Statute	24,538	13,512
Investments in Group/External Companies - Shares	18,576	2,507
	<u>77,683</u>	<u>97,452</u>
Investments in Group Companies - Loans	162,421	94,328
Long Term Debtors	539	3,165
	<u>240,643</u>	<u>194,945</u>
<u>Sources of Finance</u>		
Capital Grant and Contributions	22,076	19,873
Borrowing - Capital Investment	37,841	52,589
Borrowing - Other	162,910	97,493
PFI and Similar Contracts	0	16,002
Reserves	5,143	7,378
Capital Receipts	12,676	1,610
	<u>240,643</u>	<u>194,945</u>
Opening Capital Financing Requirement	405,826	340,902
Increase in underlying need to borrow (unsupported by government financial assistance)	37,841	52,589
Increase relating to PFI	0	16,002
Minimum revenue provision	-4,062	-3,667
Closing Capital Financing Requirement	<u>439,605</u>	<u>405,826</u>

4. CAPITAL COMMITMENTS

There were significant commitments for future capital expenditure at 31 March on the following schemes:

	2018	2017
	£'000	£'000
Victoria Square	351,741	358,132
Acquisition of Car Park (Victoria Square)	58,000	0
Lakeview Community Centre Refurbishment	84	84
Hoe Valley School and Community Facilities	2,807	25,114
Hoe Valley Flood Alleviation and Prevention	171	490
Property Acquisition	6,292	0
Sheerwater Infrastructure Improvements	121	2,000
Civic Offices Ground Floor Refurbishment	250	1,300
Woking Integrated Transport Plan	11,483	16,801
Waste Vehicles - Joint Waste Contract	0	2,050
	<u>430,949</u>	<u>405,971</u>

The Council is also committed to providing finance to its Group Companies (the Thamesway Group and Brookwood Cemetery) to support approved Business Plans as reflected in the Council's Investment Programme. This includes the Sheerwater Regeneration scheme.

5. FIXED ASSET VALUATION

The Council's freehold and leasehold properties have been valued on a five year rolling programme. Assets are revalued more regularly where a five yearly valuation is insufficient to keep pace with material changes in value. General Fund asset valuations have been carried out by RICS Registered Valuers (Wilks Head & Eve) reporting to the qualified officers of the Council's Estate Management Section. Valuations for Council Dwelling related assets have been carried out by the Council's Estate Management Section. The latest valuations have been completed at 31 March 2018.

Buildings related plant and machinery is included in the valuation of the relevant buildings.

Properties regarded by the authority as operational have been valued on a Current Value Basis. For specialised properties the current value has been derived using Depreciated Replacement Cost methodology. Where an active market is available for the asset it has been measured at Existing Use Value.

Investment Properties and Assets Held For Sale are valued at Fair Value. 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. In arriving at the fair value of the asset, the highest and best use of the property is deemed to be its current use. IFRS 13 seeks to increase consistency in the valuation process through the fair value hierarchy. There are three levels of categories within this hierarchy:

- Level 1: quoted prices.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The Fair Value valuations carried out in 2017/18 were all at level 2. The typical valuation inputs used were:

- Market Rental and Sale Values
- Yields
- Void and Letting Periods
- Size
- Configuration, proportions and layout
- Location, visibility and access
- Condition
- Lease covenants
- Obsolescence

Assets valued below the following de minimis levels are not included in the balance sheet:

Infrastructure	£25,000
Land	£5,000
Buildings	£10,000
Plant	£5,000
Vehicles	£5,000
Other Equipment	£1,000

6. LONG TERM INVESTMENTS

	31 March 2018 £'000	31 March 2017 £'000
<u>Shareholdings in Companies</u>		
Thameswey Limited	31,193	24,618
Woking Necropolis and Mausoleum Limited	6,000	6,000
Woking Town Centre Management	1	1
Victoria Square Woking Limited	14	14
Local Capital Finance Company	50	50
Surrey Save Credit Union	50	50
Dukes Court	12,001	-
	<u>49,309</u>	<u>30,733</u>

Further information about the Council's group companies and joint ventures is shown on pages 89 - 90.

7. LONG-TERM DEBTORS

The Council has granted the following loans to its Group Companies and other organisations. Further details of the Group Company loans made during the year can be found in note 6 to the Comprehensive Income and Expenditure Statement on page 43.

	31 March 2018 £'000	31 March 2017 £'000
Thameswey Energy Limited	14,718	14,196
Thameswey Central Milton Keynes Limited	29,496	26,396
Thameswey Housing Limited	103,476	99,752
Thameswey Solar Limited	1,462	1,601
Thameswey Developments (THL)	56,250	34,500
Thameswey Developments (Sheerwater)	2,000	-
Thameswey Housing (Sheerwater)	10,174	-
Dukes Court	59,354	-
Victoria Square Woking Limited	105,921	45,829
Peacocks	6,350	6,350
Woking Hospice	8,036	7,547
Tante Marie	1,709	1,709
Byfleet Scouts	100	100
Woking Football Club	135	0
Mortgages	284	6
Other Long Term Debtors	114	134
Repayments due within 1 year	-2,894	-1,398
	<u>396,685</u>	<u>236,722</u>

Other Long Term Debtors consists of:

- i) amounts outstanding on mortgages granted for private house purchase and amounts due arising from the sale of Council houses, and
- ii) other deferred debtors in respect of car purchase and other loans to Council employees, and a loan agreement with Woking Hockey Club.

8. INVENTORIES

	31 March 2018 £'000	31 March 2017 £'000
Stocks and Stores	61	71
Work in Progress	0	0
	<u>61</u>	<u>71</u>

9. DEBTORS AND PREPAYMENTS

	31 March 2018 £'000	31 March 2017 £'000
<u>Government</u>		
Enterprise M3 (EM3)	2,847	1,206
Education Funding Agency (EFA)	506	1,239
Other Central Government Bodies	1,481	1,911
<u>Non Government</u>		
Local Tax Payers	1,018	1,325
Housing Rents, Rates & Water	1,086	875
Rechargeable Works	126	115
Sundry Debtors	7,802	10,050
Prepayments	7,264	1,095
Accrued Interest on Long Term Debtors	2,632	1,436
Long term Debtors amounts due within 1 year	2,894	1,398
Bad Debt Provision – see below	-2,974	-2,975
	<u>24,682</u>	<u>17,675</u>

The Bad Debt Provision was made up of:

	2018 £'000	2017 £'000
Housing Rents	300	212
Other Sundry Debtors	729	678
Benefits	982	972
Housing Deposits	552	552
Council Tax	135	154
Business Rates	271	402
Rechargeable Works	5	5
	<u>2,974</u>	<u>2,975</u>

10. CASH AND CASH EQUIVALENTS

	31 March 2018 £'000	31 March 2017 £'000
Cash	10,098	2,147
Standard Life Investments (previously Ignis)	30,006	4,000
LGIM Fund	0	4,001
	<u>40,104</u>	<u>10,148</u>

11. SHORT TERM INVESTMENTS AND BORROWING

	31 March 2018 £'000	31 March 2017 £'000
<u>Deposits of Temporary Surplus Funds</u>		
Stockport Metropolitan Borough Council	4,001	0
Suffolk County Council	4,000	0
North Ayrshire Council	0	4,000
	<u>8,001</u>	<u>4,000</u>
<u>Short term borrowing</u>		
North Yorkshire County Council	10,019	5,009
Middlesbrough Council	10,013	0
London Borough of Ealing	5,008	5,005
Hampshire County Council	5,003	0
Somerset County Council	5,004	0
Surrey County Pension Fund	5,004	0
Derbyshire County Council	10,008	0
Exeter City Council	0	3,004
Milton Keynes Council	0	4,006
London Borough of Hackney	0	3,004
Tameside Metropolitan Borough Council	0	2,003
Edinburgh City Council	0	12,002
Greater London Authority	0	15,003
Derbyshire County Council Superannuation	0	5,001
Loans reclassified from long term as due within one year	19,601	9,354
	<u>69,660</u>	<u>63,391</u>
Accrued interest on long term borrowing	5,407	4,172
Amounts held on behalf of Mayors Appeal	14	15
	<u>75,081</u>	<u>67,578</u>

12. CREDITORS AND RECEIPTS IN ADVANCE

	31 March 2018 £'000	31 March 2017 £'000
<u>Government</u>		
Central Government Bodies	1,758	4,302
Other Local Authorities	1,892	3,929
<u>Non Government</u>		
Local Tax Payers	987	560
Housing Rents	407	369
Mortgagees	0	2
Rechargeable Works	83	83
Sundry Creditors	11,767	12,685
	<u>16,894</u>	<u>21,930</u>

13. BORROWING REPAYABLE WITHIN A PERIOD IN EXCESS OF 12 MONTHS

The following long-term borrowing was outstanding at 31 March:-

Lender	Loan type	Maturity Date	2018 £'000	2017 £'000
- Danske Bank	LOBO (next option at 05/04/2017)*	05/04/2055	5,314	5,316
- Dexia PFB	LOBO (next option at 08/04/2017)*	06/10/2076	5,346	5,347
- Dexia PFB	LOBO (next option at 22/11/2026)*	22/11/2076	5,070	5,070
Accrued Interest			-301	-301
			<u>15,429</u>	<u>15,432</u>
PWLB:	Fixed rate loan	26/08/2034	5,023	5,023
	Fixed rate loan	04/10/2030	5,116	5,116
	Fixed rate loan	04/10/2031	5,116	5,116
	Fixed rate loan	16/05/2035	5,085	5,085
	Fixed rate loan	16/05/2033	5,083	5,083
	Fixed rate loan	10/01/2056	3,026	3,026
	Fixed rate loan	02/11/2056	6,100	6,100
	Fixed rate loan	10/12/2037	3,041	3,041
	Fixed rate loan	10/12/2042	3,040	3,040
	Fixed rate loan	07/03/2058	3,009	3,009
	Fixed rate loan	04/08/2058	5,034	5,034
	Fixed rate loan	15/02/2058	3,016	3,016
	Fixed rate loan	10/09/2053	3,008	3,008
	Fixed rate loan	10/03/2027	3,007	3,007
	Fixed rate loan	24/08/2019	3,011	3,011
	Fixed rate loan	13/10/2024	4,073	4,073
	Fixed rate loan	02/11/2049	3,053	3,053
	Fixed rate loan	01/12/2039	3,042	3,042
	Fixed rate loan	01/12/2059	4,056	4,056
	Fixed rate loan	21/01/2060	4,034	4,034
	Fixed rate loan	21/01/2053	4,034	4,034
	Fixed rate loan	01/08/2054	5,036	5,036
	Fixed rate loan	01/08/2059	5,036	5,036
	Fixed rate loan	19/01/2019	10,082	10,082
	Fixed rate loan	19/09/2053	10,017	10,017
	Fixed rate loan	19/01/2055	10,092	10,092
	Fixed rate loan	19/10/2057	10,210	10,210
	Fixed rate loan	19/01/2059	10,092	10,092
	Fixed rate loan	19/10/2059	8,168	8,168
	Fixed rate loan	10/09/2060	5,012	5,012
	Fixed rate loan	28/09/2034	5,002	5,002
	Fixed rate loan	22/12/2061	5,056	5,056
	Fixed rate loan	20/01/2062	5,039	5,039
	Fixed rate loan	12/03/2025	5,010	5,010
	Fixed rate loan	01/09/2060	10,030	10,030
	Fixed rate loan	02/09/2058	10,029	10,029
	Fixed rate loan	01/09/2061	10,030	10,030
	Fixed rate loan	01/03/2060	10,030	10,030
	Fixed rate loan	01/09/2059	10,030	10,030
	Fixed rate loan	03/03/2059	10,028	10,028
	Fixed rate loan	01/03/2061	10,030	10,030

13. BORROWING REPAYABLE WITHIN A PERIOD IN EXCESS OF 12 MONTHS (cont.)

Lender	Loan type	Maturity Date	£'000	£'000
PWLB:	Fixed rate loan	01/03/2062	18,059	18,059
	Fixed rate loan	01/09/2056	10,030	10,030
	Fixed rate loan	05/10/2026	1,503	1,652
	Fixed rate loan	13/05/2038	5,072	5,072
	Fixed rate loan	22/03/2037	5,005	5,005
	Fixed rate loan	04/10/2040	5,104	5,104
	Fixed rate loan	04/11/2063	5,085	5,085
	Fixed rate loan	19/12/2017	0	7,646
	Fixed rate loan	24/04/2034	1,331	1,389
	Fixed rate loan	20/11/2064	5,066	5,066
	Fixed rate loan	27/11/2064	6,074	6,074
	Fixed rate loan	01/05/2064	5,072	5,072
	Fixed rate loan	02/05/2063	3,043	3,043
	Fixed rate loan	15/12/2062	3,030	3,030
	Fixed rate loan	18/07/2062	3,019	3,019
	Fixed rate loan	20/03/2063	2,002	2,002
	Fixed rate loan	12/08/2065	2,008	2,008
	Fixed rate loan	28/09/2065	5,002	5,002
	Fixed rate loan	19/10/2064	9,639	9,639
	Fixed rate loan	18/11/2065	2,024	2,024
	Fixed rate loan	08/12/2065	2,020	2,020
	Fixed rate loan	19/01/2066	2,515	2,515
	Fixed rate loan	11/02/2065	3,012	3,012
	Fixed rate loan	17/06/2066	10,074	10,074
	Fixed rate loan	20/04/2066	10,112	10,112
	Fixed rate loan	30/06/2066	3,018	3,018
	Fixed rate loan	21/09/2066	4,003	4,003
	Fixed rate loan	10/11/2066	8,077	8,077
	Fixed rate loan	16/11/2021	25,147	25,147
	Fixed rate loan	30/11/2066	9,079	9,079
	Fixed rate loan	11/02/2067	11,930	12,042
	Fixed rate loan	28/02/2067	19,853	20,047
	Fixed rate loan	02/03/2067	9,923	10,022
	Fixed rate loan	27/03/2067	5,002	5,002
	Fixed rate loan	19/04/2067	5,031	0
	Fixed rate loan	09/06/2065	4,532	0
	Fixed rate loan	09/06/2067	5,014	0
	Fixed rate loan	31/08/2067	49,858	0
	Fixed rate loan	12/09/2067	9,963	0
	Fixed rate loan	31/08/2025	8,014	0
	Fixed rate loan	07/11/2067	20,212	0
	Fixed rate loan	09/11/2067	30,313	0
	Fixed rate loan	10/11/2067	20,205	0
	Fixed rate loan	23/11/2067	10,094	0
	Fixed rate loan	13/12/2067	10,079	0
	Fixed rate loan	19/12/2067	10,065	0
	Fixed rate loan	02/03/2068	10,022	0
	Fixed rate loan	19/03/2068	10,009	0
	Fixed rate loan	20/03/2068	10,009	0

13. BORROWING REPAYABLE WITHIN A PERIOD IN EXCESS OF 12 MONTHS (cont.)

Lender	Loan type	Maturity Date	£'000	£'000
	Fixed rate loan	26/03/2068	15,006	0
	Fixed rate loan	26/03/2068	8,003	0
	Fixed rate loan	29/03/2068	10,002	0
Accrued Interest (shown within short term borrowing)			-4,882	-3,648
Loan reclassified from long term to short term as due within one year			-12,851	-8,954
			<u>696,697</u>	<u>463,655</u>
LB of Wandsworth	Fixed rate loan	14/11/2018	6,364	6,364
LB of Hackney	Fixed rate loan	19/11/2021	3,518	3,517
Cornwall Council	Fixed rate loan	04/01/2022	6,019	6,019
Barclays Bank**	Fixed rate loan	31/07/2076	5,039	5,039
Barclays Bank**	Fixed rate loan	31/07/2076	5,039	5,039
Barclays Bank**	Fixed rate loan	05/04/2077	5,096	5,096
Enterprise M3 (LEP)	Interest free loan	31/12/2018	396	792
Accrued Interest (shown within short term borrowing)			-224	-224
Loan reclassified from long term to short term as due within one year			-6,750	-400
			<u>24,497</u>	<u>31,242</u>
			<u>736,623</u>	<u>510,329</u>

*A LOBO is a loan where the lender may exercise an option to vary the interest rate payable at periodic intervals and the borrower has the option at that time to repay the loan.

**Reclassified from LOBOs to market loans effective 28th June 2016.

14. CAPITAL GRANTS RECEIPTS IN ADVANCE

Grants and contributions are recognised in the Comprehensive Income and Expenditure Statement on receipt if all relevant conditions have been met. The following grants had been received at the balance sheet date but the conditions had not been met and are therefore shown on the balance sheet as receipts in advance.

	2018 £'000	2017 £'000
Capital grants receivable	9,339	1,779
Use of grant to finance capital expenditure	-2,119	-3,300
Use of grant to finance revenue projects	-50	-102
Total movement on Capital Grants	<u><u>7,170</u></u>	<u><u>-1,623</u></u>
Balance brought forward at 1 April	7,408	9,031
Balance carried forward at 31 March	14,578	7,408

Of the total grants received in advance, £14,417,417 relates to contributions from developers (£7,176,000 in 2016/17).

For details of grants received in the year see note 6 to the Cash Flow Statement.

15. COLLECTION FUND

The Collection Fund is a fund managed by the billing authority (Woking Borough Council) to receive Council Tax and Business Rates income. It is also used to pay a share of Council Tax collected to the Borough Council, County Council and Police and Crime Commissioner, and to make payments of Business Rates collected to the Borough Council, County Council and Central Government.

The balance relating to Woking Borough Council is included in the reserves in the balance sheet, see Movement in Reserves Statement note 12. The remaining balance relating to Surrey County Council and Surrey Police and Crime Commissioner is included in the creditor balances, see Balance Sheet Note 12. For further details see notes to the Collection Fund.

16. PROVISIONS

The Council is the subject of claims resulting from charging for personal searches and has made a provision of £22,993 in respect of these potential future liabilities (£22,993 in 2016/17). A provision of £3,945,200 has been made (£1,423,729 in 2016/17) in respect of the Council's share of business rates valuation appeals and over which there is uncertainty as they are determined by the Valuation Office (not by the Council).

17. CONTINGENT LIABILITIES

(i) Woking Football Club

The Council has entered into an agreement with Woking Football Club to provide further financial assistance of up to £2m should the Club be promoted to the Football League.

(ii) Municipal Mutual Insurance

Prior to February 1993 the Council secured its insurance arrangements through Municipal Mutual Insurance (MMI). MMI were forced to cease trading in February 1993. Liabilities of MMI are the ultimate responsibility of its members, of which Woking was one.

A review of the potential liabilities was undertaken by MMI's administrators at 31 March 2018. The review identified that the maximum cost for Woking was £544,435 (£1,033,601 at 31 March 2017).

The Council's Insurance Fund was previously enhanced to cover any potential shortfall when MMI ceased to trade. This position was reviewed during the year, and will be kept under review during 2018/19.

18. COMMITMENTS

The Council had no external commitments at 31 March 2018 (or 31 March 2017).

19. THE COUNCIL AS TRUSTEE

The Recreation Ground Charity, relating to West Byfleet Recreation Ground, was established in 1913. The Council holds the land, which constitutes the total assets of the charity, on trust as trustee in its corporate capacity. The charity had no income or expenditure during the year.

20. EVENTS AFTER THE BALANCE SHEET DATE

Events arising after the balance sheet date are reflected in the accounts if they provide additional evidence of a condition that existed at the balance sheet date and materially affect the accounts. Events which occur after the balance sheet date and concern conditions which did not exist at the time are detailed in notes to the accounts. Events are considered up until 31 July 2018, the date of approval of the accounts. At 31 May 2018 no such events had occurred.

21. COMPLIANCE

This Council has adopted the CIPFA Treasury Management in the Public Services: Code of Practice. It has also set treasury management indicators to control key financial instrument risks in accordance with CIPFA's Prudential Code.

22. FINANCIAL INSTRUMENT BALANCES

	<u>Long-term</u>		<u>Current</u>	
	31st March 2018 £'000	31st March 2017 £'000	31st March 2018 £'000	31st March 2017 £'000
Borrowings				
Financial liabilities at amortised cost	<u>774,458</u>	<u>553,424</u>	<u>73</u>	<u>54,064</u>
	<u>774,458</u>	<u>553,424</u>	<u>73</u>	<u>54,064</u>
Investments				
Loans and receivables	<u>0</u>	<u>0</u>	<u>40,104</u>	<u>10,148</u>
	<u>0</u>	<u>0</u>	<u>40,104</u>	<u>10,148</u>

23. FINANCIAL INSTRUMENTS GAINS/LOSSES

<u>2017/18</u>	<u>Financial Liabilities</u>		<u>Financial Assets</u>		<u>Total</u>
	<u>Liabilities measured at amortised cost</u>	<u>Loans and receivables</u>	<u>Available for sale assets</u>	<u>Fair value through I&E</u>	
	£'000	£'000	£'000	£'000	
Interest expense	22,447	-	-	-	22,447
Losses on derecognition	-	-	-	-	-
Impairment losses	-	-	-	-	-
Interest payable & similar	<u>22,447</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,447</u>
Interest income	-	2,316	-	-	2,316
Gains on derecognition	-	-	-	-	-
Interest & investment income	<u>-</u>	<u>2,316</u>	<u>-</u>	<u>-</u>	<u>2,316</u>
Gains on revaluation	-	-	-	-	-
Losses on revaluation	-	-	-	-	-
Recycled to the I&E account after impairment	-	-	-	-	-
Surplus arising on revaluation of financial assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net gain/loss(-) for the year	<u>-22,447</u>	<u>2,316</u>	<u>-</u>	<u>-</u>	<u>-20,131</u>

23. FINANCIAL INSTRUMENTS GAINS/LOSSES (cont.)

2016/17	Financial Liabilities		Financial Assets		Total
	Liabilities measured at amortised cost	Loans and receivables	Available for sale assets	Fair value through I&E	
	£'000	£'000	£'000	£'000	
Interest expense	16,086	-	-	-	16,086
Losses on derecognition	-	-	-	-	0
Impairment losses	-	-	-	-	-
Interest payable & similar	16,086	-	-	-	16,086
Interest income	-	1,512	-	-	1,512
Gains on derecognition	-	-	-	-	-
Interest & Investment income	-	1,512	-	-	1,512
Gains on revaluation	-	-	-	-	-
Losses on revaluation	-	-	-	-	-
Recycled to the I&E account after impairment	-	-	-	-	-
Surplus arising on revaluation of financial assets	-	-	-	-	-
Net gain/loss(-) for the year	-16,086	1,512	-	-	-14,574

24. FAIR VALUE OF ASSETS AND LIABILITIES CARRIED AT AMORTISED COST

The fair values of each class of financial assets and liabilities which are carried in the balance sheet at amortised cost is disclosed below. The fair value of an instrument is determined by calculating the Net Present Value of future cash flows, which provides an estimate of the value of payments in the future in today's terms. The discount rate used in the NPV calculation is the rate applicable in the market on the date of valuation for an instrument with the same structure, terms and remaining duration.

For debt, this will be the new borrowing rate since premature repayment rates include a margin which represents the lender's profit as a result of rescheduling the loan; this is not included in the fair value calculation since any motivation other than securing a fair price should be ignored.

The rates quoted in this valuation were obtained by our treasury management consultants from the market on 31st March, using bid prices where applicable.

The calculations are made with the following assumptions:

- For PWLB debt, the discount rate used is the rate for new borrowing as per rate sheet number 128/17.
- For other market debt and investments the discount rate used is the rates available for an instrument with the same terms from a comparable lender.
- Interpolation techniques between available rates where the exact maturity period was not available.
- No early repayment or impairment is recognised.
- Fair values have been calculated for all instruments in the portfolio, but only disclose those which are materially different from the carrying value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

24. FAIR VALUE OF ASSETS AND LIABILITIES CARRIED AT AMORTISED COST (cont.)

	31st March 2018		31st March 2017	
	Carrying amount £'000	Fair Value £'000	Carrying amount £'000	Fair Value £'000
PWLB - maturity	446,067	571,216	431,103	557,315
PWLB - annuity	268,358	271,986	45,152	46,420
LOBOs	15,730	24,568	15,732	24,281
Market Loans	15,174	25,676	85,110	95,793
LEP Loan	400	396	800	792
Short term borrowing	15	15	15	15
Finance Lease	28,678	n/a	29,563	n/a
Financial Liabilities	774,422	893,857	607,475	724,616

Fair value may be higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the rates available for similar loans at the Balance Sheet date. The commitment to pay interest below current market rates reduces the amount that the Council would have to pay if the lender requested or agreed to early repayment of the loans.

	31st March 2018		31st March 2017	
	Carrying amount £'000	Fair Value £'000	Carrying amount £'000	Fair Value £'000
Cash	40,104	40,104	10,148	10,148
Financial Assets	40,104	40,104	10,148	10,148

The fair value may be higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This guarantee to receive interest above current market rates increases the amount that the authority would receive if it agreed to early repayment of loans.

25. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Council's management of treasury risks actively works to minimise the Council's exposure to the unpredictability of financial markets and to protect the financial resources available to fund services. The Council has fully adopted CIPFA's Code of Treasury Management Practices and has written principles for overall risk management as well as written policies and procedures covering specific areas such as credit risk, liquidity risk and market risk.

Credit Risk

Credit risk arises from the short-term lending of surplus funds to banks, building societies and other local authorities as well as credit exposures to the Council's customers. It is the policy of the Council to place deposits only with a limited number of high quality banks and building societies and to restrict lending to a prudent maximum amount for each institution. The Council's policy limits deposits to a maximum of £4m for local authorities, banks rated AAA (with the exception of Lloyds, the Council's bankers), or Aaa and building societies with gross assets in excess of £1,000m and limits deposits to a maximum of £2m for banks rated AA- or Aa3 and building societies with gross assets between £500m and £1,000m (for further information, see the Council's Treasury Management Strategy).

The following analysis summarises the Council's potential maximum exposure to credit risk, based on past experience and current market conditions. No credit limits were exceeded during the financial year (apart from with the Council's own banker in situations where no suitable counterparties were available) and the Council expects full repayment on the due date of deposits placed with its counterparties.

	Amounts at 31 March 2018 £'000	Historical experience of default %	Historical experience adjusted for market conditions as at 31 March 2018 %	Estimated maximum exposure to default and uncollectability £'000
Deposits with banks and other institutions	40,104	-	-	-
Customers	14,866	6.51	6.51	968
	<u>54,970</u>			<u>968</u>

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The Council does not generally allow credit for customers. £4.423m of the £4.448m sundry debtor balance is past its due date for payment. The past due amount can be analysed by age as follows, and the bad debt provision takes account of the age of the debt.

	31 March 2018 £'000	31 March 2017 £'000
Less than 3 months	2,745	3,765
3 to 6 months	661	1,187
6 months to 1 year	281	223
More than 1 year	736	733
	<u>4,423</u>	<u>5,908</u>

Liquidity Risk

The Council has access to a facility to borrow from the Public Works Loans Board. As a result there is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. The Council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates. The Council's approach is to restrict the number of loans that are due to mature within any financial year through a combination of prudent planning of new loans taken out and, where it is economic to do so, making early repayments.

The maturity structure of financial liabilities is as follows (at nominal value):

	On 31 March 2018 £'000	On 31 March 2017 £'000
Public Works Loans Board	709,543	472,608
Market debt/LOBOs	95,850	99,850
LEP Loan	400	800
Temporary borrowing	14	15
Other	-	-
	<hr/>	<hr/>
	805,807	573,273
Less than 1 year	66,764	68,365
Between 1 and 2 years	3,000	10,400
Between 2 and 5 years	34,500	37,500
Between 5 and 10 years	21,487	13,635
More than 10 years	680,056	443,373
	<hr/>	<hr/>
	805,807	573,273

In the more than 10 years category there are £10m of LOBOs which have a call date in the next 12 months.

Market Risk

The Council is exposed to interest rate risk in two different ways; the first being the uncertainty of interest paid/received on variable rate instruments, and the second being the effect of fluctuations in interest rates on the fair value of an instrument.

The current interest rate risk for the authority is summarised below:

- Decreases in interest rates will affect interest earned on variable rate investments, potentially reducing income credited to the Comprehensive Income and Expenditure Statement.
- Increases in interest rates will affect interest paid on variable rate borrowings, potentially increasing interest expense charged to the Comprehensive Income and Expenditure Statement.
- The fair value of fixed rate financial assets will fall if interest rates rise. This will not impact on the Balance Sheet for the majority of assets held at amortised cost, but will impact on the disclosure note for fair value. It would have a negative effect on the Balance Sheet for those assets held at fair value in the Balance Sheet, which would also be reflected in the Movement in Reserves Statement.
- The fair value of fixed rate financial liabilities will rise if interest rates fall. This will not impact on the Balance Sheet for the majority of liabilities held at amortised cost, but will impact on the disclosure note for fair value.

The Council has a number of strategies for managing interest rate risk. The Treasury Management Strategy includes an indicator which provides maximum limits for fixed and variable rate interest exposure, at 100% and 70% respectively. During periods of falling interest rates, the drawing of longer term fixed rate borrowing would be postponed. Conversely the expectation of a sharp rise in rates would lead to consideration of long term borrowing while rates were still relatively low, subject to the overall portfolio position.

There is an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to review the budget monthly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31 March, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	2018 £'000	2017 £'000
Increase in interest payable on variable rate borrowings	0	100
Increase in interest receivable on variable rate investments	15	17
Net increased income in Comprehensive Income and Expenditure Statement	<u>15</u>	<u>117</u>
Share of overall interest cost debited to the HRA	<u>0</u>	<u>29</u>
Decrease in fair value of fixed rate borrowing liabilities	159,669	119,710

No impact on Surplus/Deficit on Provision of Services or other Comprehensive Income and Expenditure. The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

26. PRIVATE FINANCE INITIATIVE

For 25 years Kier Partnership Homes will design, build and maintain 224 homes, in return for an agreed unitary charge, after which the assets will revert back to the Council. These homes will be leased for 125 years by the Council to Thames Valley Housing Association ('TVHA'), who will own the tenancies, provide landlord services and account for rental income directly. The Council retains nomination rights over the properties. TVHA has the opportunity to nominate its own tenants following an unsuccessful Council nomination procedure. The fair values of each class of financial assets and liabilities which are carried in the balance sheet at amortised cost are disclosed below. The fair value of an instrument is determined by calculating the Net Present Value of future cash flows, which provides an estimate of the value of payments in the future in today's terms. The discount rate used in the NPV calculation is the rate applicable in the market on the date of valuation for an instrument with the same structure, terms and remaining duration. All of the 224 units were completed and handed over by 31 March 2017.

a. Assets recognised under the PFI arrangement:

	2017/18	2016/17
	£'000	£'000
Cost		
As at 1 April	30,814	14,812
Additions	0	16,002
As at 31 March	<u>30,814</u>	<u>30,814</u>
Depreciation		
As at 1 April	324	28
Charged in year	610	296
As at 31 March	<u>934</u>	<u>324</u>
Net Book Value		
As at 31 March	29,880	30,490
As at 1 April	30,490	14,784

b. Liabilities arising from PFI and similar contracts:

The Council has the following liability resulting from the PFI scheme:

	2017/18	2016/17
	£'000	£'000
As at 1 April	29,565	14,476
New lease liability recognised	0	16,002
Finance lease liability redemption payments during the year	-898	-913
As at 31 March	<u><u>28,667</u></u>	<u><u>29,565</u></u>

c. Payments to be made under PFI and similar contracts:

The Council was committed at 31 March 2018 to making the following payments under the PFI scheme:

	Repayments of Liability	Interest	Lifecycle replacement costs	TOTAL
	£'000	£'000	£'000	£'000
Due within one year	926	2,123	40	3,089
Due within 2-5 years	4,520	7,728	107	12,355
Due within 6-10 years	7,346	7,514	584	15,444
Due within 11-15 years	8,256	4,592	2,595	15,443
Due within 16-20 years	6,606	1,683	7,155	15,444
Due within 21-25 years	1,013	52	857	1,922
	<u><u>28,667</u></u>	<u><u>23,692</u></u>	<u><u>11,338</u></u>	<u><u>63,697</u></u>

NOTES TO THE CASH FLOW STATEMENT

The cash flow statement summarises the inflows and outflows of cash arising from revenue and capital transactions between the Council and third parties. Cash and cash equivalents comprise balances in the Council's bank account, money market account and money market funds.

1. RECONCILIATION OF NET CASH FLOW FROM OPERATING ACTIVITIES

	2017/18	2016/17
	£'000	£'000
Net surplus/(deficit) on the provision of services		-13,374
		-12,619
<u>Less</u>		
Depreciation, impairment and amortisation		
- General Fund	3,439	3,057
- HRA	<u>4,014</u>	3,871
		7,453
Revaluation gain on Investment Property		-531
Reversal of NCA historic losses with subsequent gains		6,267
Capital items charged/(credited) to General Fund Balance		1,900
Net increase/(decrease) in other current assets and liabilities		-3,700
Net increase/(decrease) in Provisions (Long Term Liabilities)		2,521
Net charges for retirement benefits in accordance with IAS19		2,130
Other non-cash items		-741
Net cash flow from Operating Activities		<u>1,925</u>
		<u>8,617</u>

2. MOVEMENT IN CASH RECONCILED TO THE MOVEMENT IN NET DEBT

	£'000
Decrease/(increase) in cash and equivalents for the year	-29,956
Cash inflow/(outflow) from the increase/(decrease) in long term debt	236,536
Cash inflow/(outflow) from the increase/(decrease) in temporary debt	-4,000
Cash inflow/(outflow) from the (increase)/decrease in liquid resources	-4,001
Change in Net Debt arising from Cashflows	<u>198,579</u>
Change in net debt arising from non-cash items	1,261
Net debt at 31.3.17	<u>563,759</u>
Net debt at 31.3.18	<u>763,599</u>

3. FINANCE AND MANAGEMENT OF LIQUID ASSETS RECONCILED TO THE BALANCE SHEET

	As at 31.3.17	Inflows	Outflows	Movement in Non-cash items	As at 31.3.18
	£'000	£'000	£'000	£'000	£'000
Temporary loans	-67,578	-101,000	105,000	-11,503	-75,081
Long term loans	-510,329	-245,500	8,964	10,242	-736,623
Temporary investments (net)	4,000	4,001		0	8,001
Cash	10,148	29,956			40,104
	<u>-563,759</u>	<u>-312,543</u>	<u>113,964</u>	<u>-1,261</u>	<u>-763,599</u>

4. LIQUID ASSETS

Liquid Assets are deposits of surplus cash for periods of less than one year.

5. SIGNIFICANT CASH TRANSACTIONS DURING THE YEAR

Long term loans totalling £245.5 million were raised under the Prudential Code for Local Authority Borrowing to assist in achieving the Council's affordable housing, sustainability and other service priorities (£131.9 million in 2016/17).

The Council provided loans to its group companies, joint ventures and external organisations of £163 million in 2017/18 (£97.5 million in 2016/17).

6. ANALYSIS OF GOVERNMENT GRANTS

	2017/18 £'000	2016/17 £'000
Housing Improvements	1,110	908
Syrian Refugee Families	408	333
Homelessness Grants	242	0
Electoral Registration	16	19
Safer Woking Partnership	4	7
Community Alarms	9	0
Sports Development	3	14
Countryside	8	10
	<u>1,800</u>	<u>1,291</u>

7. INTEREST AND DIVIDENDS

Interest cash flows contained in the Net surplus/deficit on the provision of services (operating activities) are shown below. There were no dividends paid in 2017/18 or 2016/17. Dividends received are shown below.

	2017/18 £'000	2016/17 £'000
Interest paid	19,302	15,961
Interest received	12,483	9,108
Dividends received	115	-

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE ACCOUNT

	2017/18	2016/17
	£'000	£'000
Income		
Gross Rental Income		
- Dwelling Rents & Service Charges	-18,653	-18,971
Charges for services and facilities	-407	-457
Contribution towards expenditure	-206	-214
TOTAL INCOME	-19,266	-19,642
Expenditure		
Repairs and Maintenance	1,763	1,856
Supervision and Management	11,721	6,982
Rents, Rates, Taxes and other Charges	14	15
Depreciation and impairments of fixed assets	4,014	3,871
Debt Management Costs (note 8)	20	31
TOTAL EXPENDITURE	17,532	12,755
NET COST OF HRA SERVICES INCLUDED IN THE WHOLE AUTHORITY COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT	-1,734	-6,887
HRA services share of Corporate and Democratic Core	0	0
HRA share of other amounts included in the whole authority Net Cost of Services but not allocated to specific services	0	0
NET COST OF HRA SERVICES	-1,734	-6,887
Interest payable and similar charges (note 8)	4,707	4,636
Amortisation of premiums and discounts (note 8)	30	30
Interest and investment income (note 8)	-3	-4
Pensions interest cost and expected return on pensions assets (note 7)	280	352
SURPLUS (-) OR DEFICIT FOR THE YEAR ON HRA SERVICES	3,280	-1,873

Explanatory notes to the Housing Revenue Account are on pages 73 - 76

STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE

	2017/18 £'000	2016/17 £'000
Surplus(-) or deficit for the year on the HRA income and expenditure account	3,280	-1,873
Adjustments between the accounting basis and the funding basis required under regulations (see analysis below)	-608	-167
Net increase(-) or decrease before transfers to/from reserves	2,672	-2,040
Transfer to or from (-) HIP reserve	-2,668	2,035
Increase(-) or decrease in Housing Revenue Account Balance for the Year	4	-5
Balance on Housing Revenue Account brought forward	502	497
Balance on Housing Revenue Account carried forward	498	502

Adjustments between the accounting basis and the funding basis required under regulations

	2017/18 £'000	2016/17 £'000
Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year		
Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	-218	0
Capital grants with no outstanding conditions	0	15
Adjustments made for accumulated absences	-7	-7
Gain or loss on sale of HRA fixed assets	0	0
Net charges made for retirement benefits in accordance with IAS19	-383	-175
	<u>-608</u>	<u>-167</u>

The Housing Revenue Account (HRA) Income and Expenditure Account on page 71 shows the Council's activities during 2017/18 in line with International Financial Reporting Standards. Certain items are required by statute to either be included or excluded from the Income and Expenditure Account activity before it is charged to the Housing Revenue Account balance. These items are shown in the Statement of Movement in the Housing Revenue Account balance above.

**HOUSING REVENUE ACCOUNT
EXPLANATORY NOTES**

1. HOUSING STOCK

The Council was responsible for the management of 3,314 dwellings (including Shared Ownership properties) at 31 March 2018, as compared with 3,334 at 31 March 2017, made up of:

	2018	2017
Houses	1,637	1,652
Flats (including maisonettes)	1,426	1,430
Bungalows	251	252
	3,314	3,334

2. STOCK VALUES

	Value @ 31.3.17 £'000	Movement £'000	Value @ 31.3.18 £'000
<u>Operational Assets</u>			
Housing Property	292,521	3,318	295,839
Leasehold Property	1,136	-120	1,016
	293,657	3,198	296,855
<u>Non Operational Assets</u>			
Development Land	6,900	0	6,900
	6,900	0	6,900
TOTAL	300,557	3,198	303,755

The vacant possession value of dwellings within the authority's Housing Revenue Account (HRA) as at 1 April 2018 was £878,904,820 (£869,046,688 at 1 April 2017).

The difference between the vacant possession value and the balance sheet value of dwellings within the HRA shows the economic cost of providing council housing at less than open market rents.

£3,796,000 depreciation was charged to the HRA in 2017/18:

	2017/18 £'000	2016/17 £'000
<u>Depreciation</u>		
Dwellings	3,796	3,871
TOTAL	3,796	3,871

3. CAPITAL EXPENDITURE

The total capital expenditure on property within the authority's HRA during 2017/18 was £11.25m (2016/17, £7.80m)

	2017/18	2016/17
<u>Capital Expenditure</u>	£'000	£'000
Houses	11,251	7,796
TOTAL	<u>11,251</u>	<u>7,796</u>

	2017/18	2016/17
<u>Source of Funding</u>	£'000	£'000
Major Repairs Reserve	3,622	5,430
Grants	0	20
General Reserve	0	500
Borrowing	4,751	1,113
HIP Reserve	887	256
Capital Receipts	1,991	477
TOTAL	<u>11,251</u>	<u>7,796</u>

The total capital receipts from disposal of land, houses and other property within the authority's HRA during the year were as follows:

	2017/18	2016/17
	£'000	£'000
Houses	4,007	4,167
Land	0	0
TOTAL	<u>4,007</u>	<u>4,167</u>

4. MAJOR REPAIRS RESERVE

Local Authorities are required by the Accounts and Audit Regulations 2003, to establish and maintain a Major Repairs Reserve. The main credit to the reserve is an amount equal to HRA depreciation. £3,796,133 depreciation was charged to the HRA in 2017/18.

The movement on the Major Repairs Reserve for the financial year 2017/18 was as follows:

	2017/18	2016/17
<u>Major Repairs Reserve</u>	£'000	£'000
Balance @ 1 April	0	1,559
Expenditure financed from Major Repairs Reserve	-3,622	-5,430
Depreciation transferred from Capital Adjustment Account	3,796	3,871
Balance @ 31 March	<u>174</u>	<u>0</u>

Expenditure from the Reserve is used solely to improve the Council's Housing Stock.

5. RENT ARREARS

Rent arrears at 31 March were as follows:-

	<u>2018</u>	<u>2017</u>
	£	£
Current Tenants	461,706	367,220
Former Tenants	206,150	136,517
Total	<u>667,856</u>	<u>503,737</u>

Arrears as a % of Gross Rent Income 3.50% 2.59%

A provision of £300,061 has been made in respect of uncollectable debts.

6. RENT REBATES SUBSIDY LIMITATION

The Local Government Act 2003 approved the transfer of Rent Rebates from the HRA to the General Fund (GF) with effect from the 1 April 2004. Under rent rebate subsidy there is no support for rents above a certain level, known as the limit rent. The calculation is made by comparing the average rent for all properties with the limit rent as set out in the General Determination of Housing Revenue Account Subsidy for the year.

Rent Rebates and the associated housing benefit subsidy are accounted for outside of the HRA, in the Council's GF. Housing benefit subsidy is reduced by any limitation, and a transfer is made from the HRA to the GF to cover the lost subsidy cost of rents exceeding the limit rent. A transfer was not made in 2017/18 as the average rent did not exceed the limit rent.

7. PENSIONS

Previous policy was to recognise liabilities in relation to retirement benefits only when employer's contributions became payable to the pension fund or payments fell due to the pensioners for which we were directly responsible. The implementation of FRS 17 accounting policies in 2003/04 (replaced by IAS19 from 2010/11) better reflects the Council's commitment in the long-term to increase contributions to make up any shortfall in attributable net assets in the pension fund.

Woking recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against Rents is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the HRA balance.

The transactions set out below have been made in the specified sections of the HRA during the year:

	2017/18	2016/17
	£'000	£'000
Net Cost of Services:		
▪ Service cost	719	463
▪ Past service costs (including curtailments)	5	23
	<u>724</u>	<u>486</u>
Net Operating Expenditure:		
▪ Interest cost	732	960
▪ Expected return on assets in the scheme	-452	-608
	<u>280</u>	<u>352</u>

Net liability on HRA I&E	-1,004	-838
▪ Employers' contributions payable to scheme	566	600
▪ Contribution in respect of unfunded benefits	55	63
▪ Movement on pensions reserve	<u>-383</u>	<u>-175</u>
TOTAL	<u>621</u>	<u>663</u>

Actual amounts charged against rents for pensions in the year

Employers' contributions payable to scheme	566	600
Contributions in respect of unfunded benefits	55	63
	<u>621</u>	<u>663</u>

The employers' contribution payable to the scheme is shown within Supervision and Management. The adjustment of £103,000 represents the difference between the cash contributions payable to the scheme (£621,000) and service costs (£724,000).

8. ITEM 8

Item 8 of Parts 1 and 2 of Schedule 4 to the 1989 Housing Act requires authorities to credit and debit to their HRA amounts in accordance with a formula determined by the Secretary of State. The formula provides for amounts to be credited in respect of interest and debited in respect of capital charges in relation to HRA property.

**COLLECTION FUND
INCOME AND EXPENDITURE STATEMENT**

Actual 2016/17				Actual 2017/18		
Council Tax	Business Rates	Total		Council Tax	Business Rates	Total
£'000	£'000	£'000		£'000	£'000	£'000
			INCOME			
69,609		69,609	Council Tax Receivable (Note 1)	73,299	0	73,299
0	47,658	47,658	Business Rates Receivable (net of TPP*)	0	44,356	44,356
69,609	47,658	117,267	TOTAL INCOME	73,299	44,356	117,655
			EXPENDITURE			
			<u>Apportionment of Previous Year Surplus/(deficit)</u>			
0	138	138	Central Government	0	2,295	2,295
219	111	330	Woking Borough Council	116	1,836	1,952
1,222	28	1,250	Surrey County Council	649	459	1,108
217		217	Surrey Police and Crime Commissioner	112	0	112
1,658	277	1,935		877	4,590	5,467
			<u>Precepts, Demands and Shares</u>			
0	23,770	23,770	Central Government	0	23,512	23,512
9,059	19,015	28,074	Woking Borough Council	9,303	18,810	28,113
50,556	4,754	55,310	Surrey County Council	53,956	4,702	58,658
8,777		8,777	Surrey Police and Crime Commissioner	9,100	0	9,100
68,392	47,539	115,931		72,359	47,024	119,383
			<u>Charges to Collection Fund</u>			
175	218	393	Write Offs / Write Backs (-) of uncollectable amounts	283	38	321
-21	-27	-48	Increase / Decrease (-) in Bad Debt Provision	-128	-326	-454
0	-2,546	-2,546	Increase / Decrease (-) in Provision for Appeals	0	6,304	6,304
0	138	138	Cost of Collection	0	135	135
0	2	2	Interest	0	0	0
154	-2,215	-2,061		155	6,151	6,306
70,204	45,601	115,805	TOTAL EXPENDITURE	73,391	57,765	131,156
-595	2,057	1,462	SURPLUS / DEFICIT (-) ARISING DURING THE YEAR	-92	-13,409	-13,501
2,536	2,809	5,345	SURPLUS / DEFICIT (-) B/FWD AT 1ST APRIL	1,941	4,866	6,807
1,941	4,866	6,807	SURPLUS / DEFICIT (-) C/FWD AT 31ST MARCH	1,849	-8,543	-6,694

*TPP = Transitional protection payment from government (£552,551 in 2017/18, -£2 in 2016/17)

Explanatory notes to the Collection Fund are on pages 78 - 79

COLLECTION FUND EXPLANATORY NOTES

The Collection Fund is a fund managed by the billing authority (Woking Borough Council) to receive Council Tax and Business Rates income. It is also used to pay a share of Council Tax collected to the Borough Council, County Council and Police and Crime Commissioner, and to make payments of Business Rates collected to the Borough Council, County Council and Central Government.

1. YIELD FROM COUNCIL TAX

In order to calculate the total yield from Council Tax in a year it is necessary to convert the number of dwellings in each band to an equivalent number of Band D dwellings. For 2017/18 the following calculation was made:

Band	Number of Chargeable Dwellings	Ratio (Ninths)	Equivalent Number of Band D Dwellings	Estimated Yield at Band D Tax £'000
Band A	269.25	6	179.50	320.02
Band B	2,822.00	7	2,194.89	3,913.11
Band C	9,347.85	8	8,309.20	14,813.89
Band D	11,040.50	9	11,040.50	19,683.33
Band E	5,599.75	11	6,844.14	12,201.94
Band F	3,896.75	13	5,628.64	10,034.91
Band G	4,778.00	15	7,963.33	14,197.27
Band H	693.25	18	1,386.50	2,471.89
			43,546.70	77,636.36
Less allowance for losses on collection, appeals and Council Tax Support			-3,025.70	-5,394.31
Council Tax Base and Expected yield			40,521.00	72,242.05

The actual yield for the year was £73.016m; the difference of £774,000 between the actual and the predicted yield can be attributed to variances in the collection rate, discounts and support allowed and changes in property numbers in each Band between the date of estimated yield and the year end.

The Council tax yield of £73.016m is reflected in the Income and Expenditure Account as follows:

	2017/18	2016/17
	£'000	£'000
Council tax income	73,299	69,609
Less write offs	-283	-175
Yield	73,016	69,434

2. CALCULATION OF TAX BASE

The Council Tax tax base is the estimated full year equivalent number of liable dwellings in the area expressed as an equivalent number of Band D dwellings with 2 or more adults. For 2017/18 the Band D equivalent was 43,546.70. This figure was then adjusted for assumed changes during the year for discounts; the outcome of remaining banding appeals; the collection rate and the impact of the Council Tax Support scheme. The affect of applying these assumptions was a tax base of 40,521.00 for the whole of the Borough.

3. INCOME FROM BUSINESS RATES

The Council collects non-domestic rates for its area which are based on local rateable values multiplied by a uniform rate (the multiplier) set by the Government.

The total non-domestic rateable value at 30 September 2016 was £111.2 million and the multipliers for the year were:

Non-domestic rating multiplier	0.479	pence
Small business non-domestic rating multiplier	0.466	pence

From 1st April 2013 Business Rates Retention was introduced whereby local authorities retain 50% of the business rates collected for the area (Woking Borough Council (40%); Surrey County Council (10%)) and pay the remaining 50% to central government. In addition the government set a level of business rates funding deemed to be applicable to each area and every Council receives a top-up if business rates collected are below this level, or pays a tariff if business rates collected are above this level. In 2017/18 Woking Borough Council paid a tariff of £15,290,109 (£15,929,928 in 2016/17). This tariff is contained within the non domestic rates income and expenditure line in the Comprehensive Income and Expenditure Statement.

With the introduction of business rates retention if a local authority increases its business rates base and thereby increases its business rate income it is allowed to retain a proportion of this increased income, whilst paying up to a maximum of 50% across to central government. This payment where it occurs is known as a levy payment. The Government stated that no local authority will suffer a reduction in business rate income of more than 7.5% of its Business Rates funding baseline. If business rates income falls below this 7.5% level then the Government will make a safety net payment.

A safety net payment of £1,036,956 is projected to be received by Woking Borough Council for 2017/18 (a levy of £1,302,498 was paid in 2016/17). The Council was able to offset the levy in 2016/17 by circa £644,000 which was the estimated benefit derived from joining a pool with other local authorities. The safety net income for 2017/18 is contained within the non domestic rates income and expenditure line in the comprehensive income and expenditure statement. This line also contains £1,836,312 which is part of the Council's share of prior year surpluses, the remainder of which will be paid to the account in future years. Circa £4m has been transferred to the Business Rates Equalisation Reserve for the purpose of equalising cashflows and mitigating the risks arising from the business rate retention scheme.

4. DISTRIBUTION OF THE COLLECTION FUND BALANCE

The Collection Fund Balance at 31 March 2018 was £6,694,241 (£6,807,199 at 31 March 2017). The Council Tax element of this is payable to Woking Borough Council, Surrey County Council and Surrey Police and Crime Commissioner in proportion to their precepts on the Fund. The Business Rates Surplus or Deficit is split based on nationally determined percentages between Central Government (50%), Woking Borough Council (40%) and Surrey County Council (10%).

	2016/17 Surplus/ Deficit (-) £	2017/18 Surplus/ Deficit (-) £	Total @ 31 March 2018 £
<u>Council Tax</u>			
Woking Borough Council	136,734	98,683	235,417
Surrey County Council	793,049	588,155	1,381,204
Surrey Police and Crime Commissioner	133,750	98,591	232,341
	<u>1,063,533</u>	<u>785,429</u>	<u>1,848,962</u>
<u>Business Rates</u>			
Central Government			-4,271,602
Woking Borough Council			-3,417,281
Surrey County Council			-854,320
			<u>-8,543,203</u>
Collection Fund Balance			<u><u>-6,694,241</u></u>

PENSIONS EXPLANATORY NOTES

As part of the terms and conditions of employment of its officers and other employees, the authority makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The authority participates in the Local Government Pension Scheme, administered by Surrey County Council. This is a funded defined benefit final salary scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. Working recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund balance after calculating the surplus/deficit on the Comprehensive Income and Expenditure Statement in the year.

Changes to IAS19

In June 2011 the International Accounting Standards Board (IASB) issued a new version of IAS19. This applies to financial years starting on or after 1 January 2013.

The key change is that the interest cost and expected return on assets components of profit are now combined into a net figure. In effect this means that the expected return has been replaced by a figure that would be applicable if the expected return on assets assumption was equal to the discount rate. An employer can therefore no longer show higher profits where a scheme invests in assets expected to generate higher returns (or lower profits where it invests in assets expected to generate lower returns).

Further information on Pensions is set out in the Statement of Accounting Policies note 12, on page 19 of these accounts.

Changes in the Fair Value of Plan Assets, Defined Benefit Obligation and Net Liability for year end 31 March 2018

Period ended 31 March 2018	Assets	Obli- gations	Net (liability) / asset
	£'000	£'000	£'000
Fair Value of employer assets	101,040	0	101,040
Present value of funded liabilities	0	157,633	-157,633
Present value of unfunded liabilities	0	5,428	-5,428
Opening position as at 31 March 2017	<u>101,040</u>	<u>163,061</u>	<u>-62,021</u>
 Service Cost			
Current service cost*	0	3,997	-3,997
Past service cost (including curtailments)	0	27	-27
Total Service Cost	<u>0</u>	<u>4,024</u>	<u>-4,024</u>

Net interest			
Interest income on plan assets	2,509	0	2,509
Interest cost on defined benefit obligation	0	4,066	-4,066
Total net interest	2,509	4,066	-1,557
Total defined benefit cost recognised in Profit or (Loss)	2,509	8,090	-5,581
Cashflows			
Plan participants' contributions	678	678	0
Employer contributions	3,144	0	3,144
Contributions in respect of unfunded benefits	307	0	307
Benefits paid	-5,043	-5,043	0
Unfunded benefits paid	-307	-307	0
Expected closing position	102,328	166,479	-64,151
Remeasurements			
Changes in demographic assumptions	0	0	0
Changes in financial assumptions	0	-2,742	2,742
Other experience	0	1	-1
Return on assets excluding amounts included in net interest	-783	0	-783
Total remeasurements recognised in Other Comprehensive Income	-783	-2,741	1,958
Fair value of plan assets	101,545	0	101,545
Present value of funded liabilities	0	158,509	-158,509
Present value of unfunded liabilities**	0	5,229	-5,229
Closing position as at 31 March 2018	101,545	163,738	-62,193

* The service cost figures include an allowance for administration expenses of 0.3% of payroll

** This liability comprises of approximately £5,229,000 in respect of LGPS unfunded pensions. For unfunded liabilities as at 31 March 2018, it is assumed that all unfunded pensions are payable for the remainder of the member's life. It is further assumed that 90% of pensioners are married (or cohabiting) at death and that their spouse (cohabitee) will receive a pension of 50% of the member's pension as at the date of the member's death.

Information about the Defined benefit obligation as at 31 March 2018:

	Liability split (£'000)	Liability split (%)	Weighted Average Duration
Active members	51,359	32.4%	22.4
Deferred members	33,268	21.0%	22.2
Pensioner members	73,882	46.6%	11.6
Total	158,509	100.0%	16.1

The above figures are for the funded obligations only and do not include any unfunded pensioner liabilities. The durations are as they stood at the date of the most recent actuarial valuation of the Employer.

Changes in the Fair Value of Plan Assets, Defined Benefit Obligation and Net Liability for year end 31 March 2017

Period ended 31 March 2017

	Assets	Obliga- tions	Net (liability) / asset
	£'000	£'000	£'000
Fair Value of employer assets	87,625	0	87,625
Present value of funded liabilities	0	133,110	-133,110
Present value of unfunded liabilities	0	5,240	-5,240
Opening position as at 31 March 2016	<u>87,625</u>	<u>138,350</u>	<u>-50,725</u>
Service Cost			
Current service cost*	0	2,317	-2,317
Past service cost (including curtailments)	0	113	-113
Total Service Cost	<u>0</u>	<u>2,430</u>	<u>-2,430</u>
Net interest			
Interest income on plan assets	3,040	0	3,040
Interest cost on defined benefit obligation	0	4,799	-4,799
Total net interest	<u>3,040</u>	<u>4,799</u>	<u>-1,759</u>
Total defined benefit cost recognised in Profit or (Loss)	<u>3,040</u>	<u>7,229</u>	<u>-4,189</u>
Cashflows			
Plan participants' contributions	647	647	0
Employer contributions	2,998	0	2,998
Contributions in respect of unfunded benefits	317	0	317
Benefits paid	-5,050	-5,050	0
Unfunded benefits paid	-317	-317	0
Expected closing position	<u>89,260</u>	<u>140,859</u>	<u>-51,599</u>
Remeasurements			
Changes in demographic assumptions	0	-2,011	2,011
Changes in financial assumptions	0	25,349	-25,349
Other experience	0	-1,136	1,136
Return on assets excluding amounts included in net interest	11,780	0	11,780
Total remeasurements recognised in Other Comprehensive Income	<u>11,780</u>	<u>22,202</u>	<u>-10,422</u>
Fair value of plan assets	101,040	0	101,040
Present value of funded liabilities	0	157,633	-157,633
Present value of unfunded liabilities	0	5,428	-5,428
Closing position as at 31 March 2017	<u>101,040</u>	<u>163,061</u>	<u>-62,021</u>

* The service cost figures include an allowance for administration expenses of 0.4% of payroll

Assets

Asset category	Period Ended 31 March 2018				Period Ended 31 March 2017			
	Quoted prices in active markets	Quoted prices not in active markets	Total	Percentage of Total Assets	Quoted prices in active markets	Quoted prices not in active markets	Total	Percentage of Total Assets
	£'000	£'000	£'000	%	£'000	£'000	£'000	%
Equity Securities:								
Consumer	8,238.2		8,238.2	8%	8,197.3		8,197.3	8%
Manufacturing	7,467.9		7,467.9	7%	7,430.8		7,430.8	7%
Energy and Utilities	4,093.9		4,093.9	4%	4,073.5		4,073.5	4%
Financial Institutions	7,183.6		7,183.6	7%	7,147.8		7,147.8	7%
Health and Care	2,713.4		2,713.4	3%	2,699.9		2,699.9	3%
Information	5,719.3		5,719.3	6%	5,690.8		5,690.8	6%
Technology	5,719.3		5,719.3	6%	5,690.8		5,690.8	6%
Other	206.8		206.8	0%	206		205.8	0%
Debt Securities:								
Corporate Bonds (investment grade)	3,525.1		3,525.1	3%	3,507.6		3,507.6	3%
Corporate Bonds (non-investment grade)	222.6		222.6	0%	221.5		221.5	0%
UK Government	206.9		206.9	0%	205.8		205.8	0%
Other	465.5		465.5	0%	563.2		563.2	1%
Private Equity:								
All		4,262.0	4,262.0	4%		4,240.7	4,240.7	4%
Real Estate:								
UK Property	1,618.3	4,155.5	5,773.8	6%	1,610.2	4,134.9	5,745.1	6%
Overseas Property		37.5	37.5	0%		37.4	37.4	0%
Invest Funds and Unit Trusts:								
Equities	28,158.6		28,158.6	28%	28,018.6		28,018.6	28%
Bonds	11,099.7		11,099.7	11%	11,044.5		11,044.5	11%
Hedge Funds			0.0	0%			0.0	0%
Commodities			0.0	0%			0.0	0%
Infrastructure			0.0	0%			0.0	0%
Other			0.0	0%			0.0	0%
Derivatives:								
Inflation			0.0	0%			0.0	0%
Interest Rate	-3.0		-3.0	0%	-3.0		-3.0	0%
Foreign Exchange	143.9		143.9	0%	143.2		143.2	0%
Other			0.0	0%			0.0	0%
Cash and Cash Equivalents:								
All	12,029.3		12,029.3	12%	11,969.5		11,969.5	12%
Totals	93,090	8,455	101,545	100%	92,727	8,413	101,140	100%

Investment returns

The return on the Fund in market value terms for the period to 31 March 2018 is estimated based on actual Fund returns as provided by Surrey County Council and index returns where necessary. Details are given below:

Actual Returns from 1 April 2017 to 31 December 2017	6.7%
Total Returns from 1 April 2017 to 31 March 2018 (20.4% in 2016/17)	1.7%

The liabilities show the underlying commitments that the authority has in the long-run to pay retirement benefits. The total liability of £62,193,000 has a substantial impact on the net worth of the authority as recorded in the balance sheet.

However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy: the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

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. The County Council Fund liabilities have been assessed by Hymans Robertson.

The projected unit method is a valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- (a) the benefits for pensioners and deferred pensioners and their dependants, allowing where appropriate for future increases, and
- (b) the accrued benefits for members in service on the valuation date.

The main assumptions used in their calculations have been:

<u>Financial Assumptions</u>	31 March 18 % p.a.	31 March 17 % p.a.
Pension Increase Rate	2.40%	2.40%
Salary Increase Rate	2.70%	2.70%
Discount Rate	2.60%	2.50%

Mortality

The post-retirement mortality assumptions are in line with the pension fund advisors (Club Vita) analysis which was carried out for the formal funding valuation as at 31 March 2013. These are a bespoke set of VitaCurves that are specifically tailored to fit the membership profile of the Fund and are based on the data provided for the last formal valuation. Improvements have been applied that are in line with Vita Curves, CMI 2013 model assuming the current rate of improvements has peaked and will converge to a long term rate of 1.25% p.a.

	Males	Females
Current Pensioners	22.5 years	24.6 years
Future Pensioners*	24.1 years	26.4 years

* Figures assume members aged 45 as at the last formal valuation date.

Historic mortality

Life expectancies for the prior period end are based on the Fund's VitaCurves. The allowance for future life expectancies are shown below:

Period Ended	Prospective Pensioners	Pensioners
31 March 2017	CMI 2013 model assuming the current rate of improvements has peaked and will converge to a long term rate of 1.25% p.a.	CMI 2013 model assuming the current rate of improvements has peaked and will converge to a long term rate of 1.25% p.a.

Sensitivity Analysis

IAS19 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 scheme liabilities are set out below:

Change in assumptions at year ended 31 March 2018	Approximate % increase to Defined Benefit Obligation	Approximate monetary amount
	%	£'000
0.5% decrease in Real Discount Rate	9%	14,228
0.5% increase in the Salary Increase Rate	1%	1,469
0.5% increase in the Pension Increase Rate	8%	12,609

It has been estimated that a one year increase in life expectancy would approximately increase the Employer's Defined Benefit Obligation by around 3-5%.

Asset and liability matching strategy

The Surrey County Council Pension Fund's Statement of Investment Principles sets out the Fund's investment strategy to meet the payment of pensions over the life of the Fund, i.e., to be at or above a 100% funding level. The funding level as at the 31 March 2016 valuation necessitates an investment strategy that is expected to provide long term investment returns in excess of the anticipated rise in liabilities. As such the Fund does not have an explicit asset and liability matching strategy but the consideration of liabilities is of principal importance for determining the investment strategy.

The Fund holds assets that are highly correlated with the movement in valuation of fund 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 Board and its external advisors.

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2017/18 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2018.

At 31 March	Difference between the expected and actual return on assets	Experience gains and losses on liabilities
	%	%
2018	4.17	0.00
2017	17.68	-0.70
2016	4.24	-1.72
2015	15.88	-0.84
2014	5.08	-0.57
2013	18.66	-0.09
2012	8.54	1.70

The actuary estimates contributions for the year to 31 March 2019 will be approximately £3,047,000.

Further information relating to pensions can be found in the Surrey County Council Pension Fund Annual Report which is available on request from Surrey County Council, PO Box 5, County Hall, Kingston-upon-Thames KT1 2EA.

GROUP ACCOUNTS

STATEMENT OF GROUP ACCOUNTING POLICIES

1. GENERAL

These notes should be read in conjunction with the Accounting Policies used to prepare Woking Borough Council's accounts. Unless otherwise stated, the Group Accounting Statements have been prepared on the same basis.

2. FINANCIAL YEAR END

Woking Borough Council's accounts are based on a financial year ending on 31 March. The Council's subsidiary companies, Thameswey Limited and Woking Necropolis and Mausoleum Limited, and their subsidiaries, prepare their accounts to 31 December each year. Victoria Square Woking Limited, which is accounted for as an associate of the Council, also prepares accounts to 31 December. For the purposes of preparing the group accounting statements, the accounts have been consolidated using differing accounting year ends, adjusted as necessary to reflect any material transactions taking place in the period from January to March. The different accounting year ends assist in the preparation of budgets and business plans together with the management of year end processes.

3. ACCOUNTING CONVENTION

The accounts of Thameswey Limited have been prepared in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

The transition to FRS102 occurred during Thameswey's 2015 financial year.

4. FINANCIAL INSTRUMENTS

As detailed in the Woking Borough Council accounting policy 16, with effect from 1 April 2007 the Council's accounts have been prepared in accordance with new accounting standards FRS 25, 26 and 29 relating to financial instruments. This means that all financial instruments included from the Council accounts are valued on an amortised cost basis. Financial instruments arising from the Council's subsidiaries balances with external parties continue to be included in these group accounts at the lower of cost and net realisable value.

GROUP COMPANY INFORMATION

A table showing a summary of information about the Council's group companies and joint ventures is shown on pages 89 to 90.

The principal place of business for all the group company activity is Woking, UK with the exception of Thameswey Central Milton Keynes, where the activity is in Milton Keynes, UK.

The overall impact of consolidation of the Group activities is to increase the Council's net assets by £6,586,000.

GROUP COMPANY AND JOINT VENTURE INFORMATION

Company Name	Company Number	Shareholding	Directors @ 31 Dec 2017	Net Assets / Liabilities (-) @ 31 Dec 2017	Profit / Loss (-) 2017	In Year Activity 2017	Purpose
Thamesway Group Thamesway Limited	03702545	The Council is the sole shareholder	R N Morgan D J Spinks B M Maunders R J Kingsbury S Barham B Hunwicks W Prescott T Price D J Bittleston P N Bryant G Cundy resigned 3/5/2017	£32,393,908	-£43,328	6,575,000 ordinary shares of £1 each were issued to Woking Borough Council during 2017 for investment in Thamesway Housing Limited.	To further the Council's energy and environmental objectives, it's affordable housing objectives, property development and investment.
Thamesway Energy Limited (TEL)	03772150	All shares are held by Thamesway Limited	D J Spinks W Prescott R J Kingsbury B M Maunders P N Bryant	£884,041	-£292,376	-	To build, finance and operate combined heat and power plant and photovoltaic plant for the production and supply of electricity, heat and chilled water.
Thamesway Central Milton Keynes Limited (TCMK)	05277300	Wholly owned subsidiary of TEL. TEL's investment in TCMK is £1,110,000.	D J Spinks W Prescott R J Kingsbury B M Maunders P N Bryant	-£15,598,148	-£1,744,542	-	The company is established to build, finance and operate combined heat and power plant for the production and supply of electricity, heat and chilled water.
Thamesway Housing Limited	05437166	Wholly owned subsidiary of Thamesway Limited	S Barham R J Kingsbury T Price D J Bittleston P N Bryant C S Kemp B M Maunders	£40,271,897	-£1,615,013	6,575,000 ordinary shares of £1 each were issued to Thamesway Limited during the year.	Formerly Woking Borough Homes Limited, established to provide affordable housing.
Thamesway Guest House Limited	08641958	Owned by Thamesway Housing Limited	S Barham Cllr D Bittleston Cllr R J Kingsbury T Price P N Bryant	£575,401	£116,280	-	The management and operation of guest houses in the borough of Woking.
Thamesway Sustainable Communities Limited	03835131	Wholly owned subsidiary of Thamesway Limited	D J Spinks B M Maunders R J Kingsbury B Hunwicks P N Bryant	£320,826	£51,095	-	Formerly Energy Centre for Sustainable Communities (ECSC). Established to engage in trading operations to promote energy efficiency activities, notably in the renewable field.
Thamesway Developments Limited	06846380	Wholly owned subsidiary of Thamesway Limited	R J Kingsbury T Price S Barham P N Bryant G Cundy resigned 6/4/2017 Cllr D Bittleston appointed 13/4/2017	£1,440,233	£179,213	-	The company is established to engage in property development.
Thamesway Solar Limited	07679222	Wholly owned subsidiary of Thamesway Limited	R J Kingsbury B M Maunders D J Spinks P N Bryant	£1,193,398	£13,161	-	Established to own, operate and install solar photovoltaic panels.

GROUP COMPANY AND JOINT VENTURE INFORMATION

Company Name	Company Number	Shareholding	Directors @ 31 Dec 2017	Net Assets / Liabilities (-) @ 31 Dec 2017	Profit / Loss (-) 2017	In Year Activity 2017	Purpose
Thamesway Maintenance Services Limited	05637552	Wholly owned subsidiary of Thamesway Limited	R N Morgan R J Kingsbury B M Maunders P N Bryant	£628,887	£83,980		The company is established for the installation, commissioning, servicing, maintaining and operating total energy systems.
Brunswick Road (Fibright) Residents Company Limited	06710433	98% owned by Thamesway Housing Ltd	P N Bryant S Barnham	£51	NIL	-	Property and estate management.
Rutland Woking Limited	03025673	Owned by Thamesway Developments Limited (50%) and Rutland Properties Limited (50%)	J A C McAllister R N Morgan M L Riggs R J Kingsbury	£247,073	-£56,185	-	The company is established to engage in property development.
Rutland Woking (Carthouse Lane) Limited	07621357	Owned by Thamesway Developments Ltd (50%) and Rutland Properties Ltd (50%)	J A C McAllister R N Morgan M L Riggs R J Kingsbury	£321,645	-£9,187	-	The company is established to engage in property development. In the current year the entity has ceased to trade.
Rutland Woking (Residential) Limited	08809470	Owned by Thamesway Developments Ltd (50%) and Rutland Properties Ltd (50%)	J A C McAllister R N Morgan M L Riggs R J Kingsbury	£177,512	£175,016	-	The company is established to engage in property development.
Other Subsidiaries							
Woking Necropolis And Mausoleum Limited	09337764	Wholly owned subsidiary of Woking Borough Council	P N Bryant B M Maunders D J Spinks G Cundy resigned 18/4/2017 R J Kingsbury appointed 18/4/2017	£5,597,609	-£52,320	-	The holding and financing of Brookwood Park Limited in accordance with the ultimate shareholders (Woking Borough Council's) requirements.
Brookwood Park Limited	00034195	99.98% Owned by Woking Necropolis and Mausoleum Limited	P N Bryant B M Maunders D J Spinks G Cundy resigned 18/4/2017 R J Kingsbury appointed 18/4/2017	£1,934,566	-£78,992	-	The management and operation of Brookwood Cemetery.
Brookwood Cemetery Limited	306068	Owned by Brookwood Park Ltd	P N Bryant B M Maunders D J Spinks G Cundy resigned 18/4/2017 R J Kingsbury appointed 18/4/2017	£628,062	£7,734	-	The holding of land for cemetery use.
Dukes Court Owner - T S.a.r.l	B192068	Wholly owned subsidiary of Woking Borough Council	R N Morgan P N Bryant G Stevens	£12,305,121	£826,796	£15,000 shareholding, 2,400 shares of £6.25, acquired by the Council 16 November 2017	Holding and management of Dukes Court, Woking.
Associate Companies							
Victoria Square Woking Ltd (formerly Bandstand Square Developments Ltd - change effective 12/4/2017)	8005542	Moyallen Holdings Ltd 52%, Woking Borough Council 48%	R J Kingsbury P A H Robinson J T A Robinson R N Morgan J Robinson (resigned 30.12.16) E Robinson (resigned 30.12.16) D M Le Gal (resigned 30.12.16) T Pugh (resigned 30.12.16)	-£10,982,218	-£11,012,218	-	Undertake redevelopment project on land to the west side of the existing Peacocks Centre and Wolsey Place Shopping Centre, and associated enabling projects.

Woking Borough Council also holds share capital in the following non group companies:-
Woking Shopping Limited (previously known as Woking Town Centre Management Ltd). Company number 07383419.
Export House Limited. Company number 07788479.

Municipal Bonds Agency. Company number 09069106.
SurreySave Credit Union. Company number IP000746.

GROUP MOVEMENT IN RESERVES STATEMENT

	General Fund £000s	Housing Revenue £000s	Account £000s	Capital Receipts £000s	Major Repairs Reserve £000s	Capital Grants Unapplied £000s	Profit and Loss Reserve £000s	Total Usable Reserves £000s	Unusable Reserves £000s	Total Group Reserves £000s
Balance at 31 March 2016 carried forward	21,562	8942	37,247	1,559	639	5,670	75,619	180,961	256,560	
MOVEMENT IN RESERVES DURING 2016/17										
Surplus or (Deficit) on Provision of Services (accounting basis)	-14,492	1,873	0	0	0	-2,017 *	-14,636	-263	-14,899	
Other Comprehensive Income and Expenditure	0	0	0	0	0	-31	13,024	12,993		
Total Comprehensive Income and Expenditure	-14,492	1,873	0	0	0	-2,048	-14,667	12,761	-1,906	
Adjustments between group and authority accounts	0	0	0	0	0	-94	-94	0	-94	
Adjustments between accounting basis & funding basis under regulations	17,275	-146	11,119	-1,559	246	-150	26,785	-26,796	-11	
Increase/Decrease in Year	2,783	1,727	11,119	-1,559	246	-2,292	12,024	-14,035	-2,011	
Balance at 31 March 2017 carried forward	24,345	10,669	48,366	0	885	3,378	87,643	166,926	254,569	
MOVEMENT IN RESERVES DURING 2017/18										
Surplus or (Deficit) on Provision of Services (accounting basis)	-10,094	-3,280	0	0	0	-7,694	-21,068	0	-21,068	
Other Comprehensive Income and Expenditure	0	0	0	0	0	522	522	4,711	5,233	
Total Comprehensive Income and Expenditure	-10,094	-3,280	0	0	0	-7,172	-20,546	4,711	-15,835	
Adjustments between group and authority accounts	0	0	0	0	0	147	147	0	147	
Adjustments between accounting basis & funding basis under regulations	16,410	-279	433	174	950	0	17,688	-14,556	3,132	
Increase/Decrease before Transfers to Earmarked Reserves	6,316	-3,559	433	174	950	-7,025	-2,711	-9,845	-12,556	
Transfers to/from Earmarked Reserves	-285	285	0	0	0	0	0	0	0	
Increase/Decrease in Year	6,031	-3,274	433	174	950	-7,025	-2,711	-9,845	-12,556	
Balance at 31 March 2018 carried forward	30,376	7,395	48,799	174	1,835	-3,647	84,932	157,081	242,013	

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Actual 2016/17				Actual 2017/18		
Expenditure £'000	Income £'000	Net Cost £'000		Expenditure £'000	Income £'000	Net Cost £'000
12,309	2,973	9,336	People	8,530	3,153	5,377
42,832	29,495	13,337	Place	27,200	14,259	12,941
36,511	31,223	5,288	Us	37,382	31,318	6,064
12,961	19,878	-6,917	Council Housing	17,703	19,458	-1,755
14,996	21,962	-6,966	Investment Programme Projects	26,951	24,093	2,858
119,609	105,531	14,078	NET COST OF SERVICES	117,766	92,281	25,485
		1,616	- Contribution to Housing Pooled Capital Receipts			3,466
		29	- (Gain)/Loss on the disposal of non current assets			-25
		1,645	Other Operating Expenditure			3,441
		17,689	- Interest payable and similar charges			22,776
		4,799	- Pensions interest on obligation			4,066
		-3,040	- Expected return on pension assets			-2,509
		22	- Share of operating (profit)/loss in joint ventures/associates			0
		-1,671	- Investment interest income			-2,415
		-16,457	- Rentals received on investment properties			-22,021
		5,252	- Expenses incurred on investment properties			7,003
		13,363	- Changes in fair value of investment properties			-531
		19,957	Financing & Investment Income & Expenditure			6,369
		-3,954	- Non-domestic rates income and expenditure			-1,776
		-6,086	- Non-ring fenced government grants			-4,932
		-9,196	- Council Tax Income			-9,401
		-19,236	Taxation and Non-Specific Grant Income			-16,109
		16,444	(Surplus) or Deficit on Provision of Services			19,186
		-23,446	(Surplus) or deficit on revaluation of non current assets			-2,753
		10,422	Actuarial (gains)/losses on pension assets/liabilities			-1,958
		31	Tax on (gain)/loss on ordinary activities			-522
		-12,993	Other Comprehensive Income and Expenditure			-5,233
		3,451	Total Comprehensive Income and Expenditure			13,953

GROUP BALANCE SHEET

	31st MARCH 2018		31st MARCH 2017
	£'000	£'000	£'000
Property, Plant and Equipment (note 2)			
Council Dwellings	296,855		293,657
Other Land and Buildings	155,864		149,046
Vehicles, Plant, Furniture and Equipment	36,099		35,074
Community Assets	15,099		20,943
Assets Under Construction	81,024		36,203
		584,941	
Heritage Assets	918		918
Investment Properties	392,003		298,022
Intangible Assets:			
Software Licenses, Goodwill	335		396
		393,256	
Long-Term Investments			
Long-Term Investments		400	418
Long-Term Debtors		122,650	65,476
TOTAL LONG TERM ASSETS		1,101,247	900,153
Short term investments	8,001		4,148
Inventories	16,362		21,723
Short Term Debtors (note 3)	25,387		20,459
Cash and Cash Equivalents	48,773		26,253
CURRENT ASSETS		98,523	72,583
Short-Term Borrowing	-75,081		-67,578
Short Term Creditors (note 4)	-27,276		-37,191
Provision for accrued absences	-225		-187
CURRENT LIABILITIES		-102,582	-104,956
Long Term Creditors	-2,083		0
Provisions	-8,949		-7,173
Long-Term Borrowing	-738,722		-506,864
Liabilities from PFI and Similar Contracts	-28,667		-29,565
Liability related to defined benefit pension scheme	-62,193		-62,021
Capital Grants Receipts in Advance	-14,565		-7,588
LONG TERM LIABILITIES		-855,179	-613,211
TOTAL ASSETS LESS LIABILITIES		242,009	254,569

	31st MARCH 2018		31st MARCH 2017
	£'000	£'000	£'000
General Fund		1,000	1,000
Earmarked Reserves - General Fund		29,376	23,345
Earmarked Reserves - HRA		6,896	10,167
Housing Revenue Account		498	502
Major Repairs Reserve		174	0
Capital Receipts Reserve		48,799	48,366
Capital Grants Unapplied		1,835	885
Profit and Loss Reserve		-3,647	3,378
Usable Reserves		84,931	87,643
Revaluation Reserve		116,278	111,719
Pensions Reserve		-62,193	-62,021
Capital Adjustment Account		107,391	116,220
Deferred Capital Receipts		5	7
Financial Instruments Adjustment Account		-997	-1,012
Employee Benefits Reserve		-225	-187
Collection Fund Adjustment Account		-3,182	2,199
GROUP BALANCES AND RESERVES		157,077	166,925
Minority Interest		1	1
TOTAL BALANCES AND RESERVES		242,009	254,569

GROUP CASH FLOW STATEMENT

	2017/18		2016/17
	£'000	£'000	£'000
<u>Revenue Activities</u>			
Net surplus/deficit on the provision of services	-11,682		-14,729
Adjust net surplus/deficit for non-cash movements	-1,386		4,109
Adjust for items that are investing and financing activities	0		0
Net cash flows from operating activities		-13,068	-10,620
<u>Investing Activities</u>			
<u>Cash Outflows</u>			
Purchase of fixed assets and revenue expenditure funded from capital under statute	-101,217		-119,103
Loans to subsidiaries and joint ventures	-60,543		-32,681
Shareholdings in Companies	-12,001		0
Movement in other long term debtors	-3,058		0
		-176,819	-151,784
<u>Cash Inflows</u>			
Sale of assets	19,530		7,384
Capital grants received	29,408		16,350
Movement in other long term debtors	615		1,378
Other capital cash receipts	1,843		8,858
		51,396	33,970
Net cash flows from investing activities		-125,423	-117,814
Net cash flow before financing		-138,491	-128,434
<u>Management of Liquid Resources</u>			
Net movement in short term deposits	-4,001		-4,000
		-4,001	-4,000
<u>Financing</u>			
<u>Cash Outflows</u>			
Repayments of long term borrowing	-68,340		-11,079
Repayments of short term borrowing	-105,000		-87,004
		-173,340	
<u>Cash Inflows</u>			
New long term loans raised	237,352		124,424
New short term loans raised	101,000		114,000
		338,352	238,424
Net cash flows from financing activities		165,012	140,341
		161,011	136,341
Net increase/decrease in cash and cash equivalents		22,520	7,907
Cash and cash equivalents at 1 April		26,253	18,346
Cash and cash equivalents at 31 March		48,773	26,253

**GROUP INCOME AND EXPENDITURE ACCOUNT
EXPLANATORY NOTES**

1. GENERAL

These notes should be read in conjunction with the explanatory notes to Woking Borough Council's Comprehensive Income and Expenditure Statement.

2. SUBSIDIARY COMPANIES

The operating expenditure and income of Thamesway Limited has been included within 'Place', with the exception of income and expenditure relating to Thamesway Housing Limited which is disclosed within 'Us'.

The operating expenditure and income of the Brookwood Cemetery companies has been included within 'Place'.

The operating expenditure and income of Dukes Court Owner - T Sarl has been included within the Investment Property lines of the Comprehensive Income and Expenditure Statement.

GROUP BALANCE SHEET EXPLANATORY NOTES

1. GENERAL

These notes should be read in conjunction with the explanatory notes to Woking Borough Council's Balance Sheet.

2. FIXED ASSETS

	Council Dwellings	Other Land and Buildings	Vehicles and Plant	Community Assets	Investment Properties	Assets Under Construction	Intangible Assets	Heritage Assets	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Net Book Value @ 1.4.17	293,656	149,045	35,073	20,943	298,021	36,204	396	918	834,256
Additions (b)	11,251	3,791	3,711	131	105,924	44,844	38	0	169,690
Acc Depreciation & Impairment WO to GCA *	-3,795	-2,587	-2,551	0	3	140	-79	0	-8,869
Revaluation increases/(decreases) recognised in the Revaluation Reserve (c) & (d)	-251	3,415	0	-411	0	0	0	0	2,753
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services (c) & (d)	0	-2,072	0	-4,195	531	0	0	0	-5,736
Derecognition - Disposals	-4,006	0	-283	0	-9,537	-188	-100	0	-14,114
Other Movement In Costs Or Valuation	0	4,272	149	-1,369	-2,939	24	80	0	217
Net Book Value @ 31.3.18	296,855	155,864	36,099	15,099	392,003	81,024	335	918	978,197

3. DEBTORS

	31 March 2018 £'000	31 March 2017 £'000
Central Government Bodies	4,834	4,356
Local Tax Payers	1,018	1,325
Housing Rents, Rates & Water Charges	1,086	875
Rechargeable Works	126	115
Sundry Debtors	7,673	11,832
Prepayments	8,098	2,097
Accrued Interest on Long Term Debtors	2,632	1,436
LT Debtors repayments due within 1 year	2,894	1,398
Bad Debt Provision	-2,974	-2,975
	25,387	20,459

4. CREDITORS

	31 March 2018 £'000	31 March 2017 £'000
Central Government Bodies	1,758	4,302
Other Local Authorities	1,892	3,929
Local Tax Payers	987	560
Housing Rents	407	369
Rechargeable Works	83	83
Sundry Creditors	22,149	27,948
	27,276	37,191

GLOSSARY

BALANCE SHEET	This sets out the financial position of the Council on 31 March and shows the value of all the Council's assets and liabilities
CAPITAL EXPENDITURE	Expenditure on assets that are expected to benefit the borough over a number of years
CAPITAL RECEIPTS	The proceeds from the sale of assets
CASH FLOW STATEMENT	This summarises the flow of cash arising from revenue and capital transactions with third parties
COLLECTION FUND	This sets out the total income from Council Tax payers and Non- Domestic Rate payers and how it is distributed to this Council, other authorities and the government on behalf of whom it is collected by the Council
COMPONENT	A significant part of an item of property, plant or equipment which is valued and depreciated separately
COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT	This shows the income and expenditure on all the Council's services
CREDITORS	Individuals and organisations to whom the Council owes money
DEBTORS	Individuals and organisations who owe money to the Council
FINANCIAL YEAR	The period between 1 April of one year and 31 March of the following year
GROUP ACCOUNTS	These set out the accounting policies, income and expenditure, balance sheet, cash flow statement and statement of total movement in reserves for the Council consolidated with its subsidiary and associate companies
HOUSING INVESTMENT PROGRAMME (HIP)	Capital and Revenue projects and one-off expenditure relating to housing
HOUSING REVENUE ACCOUNT (HRA)	This shows the income and expenditure associated with Council Housing

INVESTMENT PROGRAMME	Capital and Revenue projects and one-off expenditure
REVENUE SUPPORT GRANT	The general grant paid by Central Government to Local Government
REVENUE EXPENDITURE	This is expenditure mainly on recurring items and consists principally of salaries and wages, materials and supplies and services
REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE	This is expenditure which may properly be capitalised, but which does not represent tangible assets (previously deferred charges)
PRECEPT	The amount that Surrey County Council and Surrey Police and Crime Commissioner require Woking Borough Council to collect from local taxpayers on their behalf
WORKING BALANCE	The sum retained within the accounts to meet day-to-day workings of the accounts (e.g. expenditure incurred in anticipation of income) and to meet possible requirements during the year that were not identified at budget preparation time

ANNUAL GOVERNANCE STATEMENT 2017/18

1. Scope of Responsibility

Woking Borough Council (The Authority) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Authority is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk and the system of internal control.

The Authority has approved and adopted arrangements for corporate governance, which are consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. The framework consists of 7 core principles each with sub principles. These are considered in more detail in section 3.

This statement explains how the Authority meets the requirements of Accounts and Audit (England) Regulations 2015, regulation 6(1)(a), which requires all relevant bodies to conduct a review at least once in a year of the effectiveness of its system of internal control and include a statement reporting on the review with any published Statement of Accounts. This Statement is prepared in accordance with proper practices in relation to accounts.

2. The purpose of the governance framework

Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved. To deliver good governance in the public sector, governing bodies and individuals working for public sector entities must try to achieve their entity's objectives while acting in the public interest at all times.

The governance framework comprises the systems and processes, culture and values, by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The quality of governance arrangements underpins the levels of trust in public services and is therefore fundamental to the Authority's relationship to customers and residents. Trust in public services is also influenced by the quality of services received and also by how open and honest an Authority is about its activities.

A framework for the implementation of good governance allows the Authority to be clear about its approach to discharging its responsibilities and to promote this internally, to officers and members and externally to partners, stakeholders and residents.

The arrangements required for gathering assurances for the preparation of the Annual Governance Statement provide an opportunity for the Authority to consider the robustness of the governance arrangements in place and to consider this as a corporate issue that affects all parts of the Authority. It also helps to highlight those areas where improvement is required which are contained in the improvement plan.

The governance framework has been in place at the Authority for the year ended 31 March 2018 and up to the date of approval of the annual report and statement of accounts.

The key elements of the systems and processes that comprise the Authority's governance arrangements are documented in a detailed supporting analysis. The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework.

The review of effectiveness is informed by the work of the Corporate Management Group and Senior Managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's Annual Report, and by comments made by the external auditors and other review agencies and inspectorates. The Corporate Management Group review the arrangements and provide an assurance that the Authority is operating within local and statutory frameworks. The group has approved this statement.

3. The Governance Framework

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

There is a comprehensive staff handbook and Behaviour and Skills Framework setting out the Authority's expectations regarding behaviour and the procedures for non compliance. Staff are made aware, through induction and the performance management framework, of the Authority's expectations in terms of standards of behaviour and compliance with agreed policies and codes of conduct.

There is also a Members' Code of Conduct which sets out the standards of behaviour to be followed by Members. Both codes take into account 'The Seven Principles of Public Life' which are included in the Localism Act 2011. The principles are: selflessness, integrity, objectivity, accountability, openness, honesty and leadership.

The Authority is clear about its leadership responsibilities for services, whether provided directly, through partners or third parties. We work closely with partners and influence third parties to make sure they deliver to agreed levels of quality and are accountable for what they do.

We have a clear commitment to ensure services deliver an appropriate combination of quality, value and choice to the community.

There is a complaints procedure which provides for a response from the service manager and allows for the complainant to appeal. Complainants are advised of their right to refer the matter to the Local Government Ombudsman, Housing Ombudsman or Information Commissioner as appropriate. This is publicised in the offices and on our website.

Complaints submitted under the Members Code of Conduct are reported to the Standards and Audit Committee which also receives regular reports on complaints which have been referred to the Ombudsman. The Arrangements for dealing with Standards Allegations under the Localism Act 2011 were reviewed during the year. Amendments to the arrangements were agreed by Council in April 2018.

A report on complaints received by the Council is received by the Overview and Scrutiny Committee.

The Scheme of Delegation within the Constitution requires Members and Officers to ensure that all decisions are compliant with policies, procedures, laws and regulations. The key documents within the Governance and Policy Framework are maintained and regularly reviewed including the Constitution itself.

Principle B – Ensuring openness and comprehensive stakeholder engagement

The Council's Vision and Values have been developed with the three pillars of People Place and Us to provide clarity on the role and priorities of the Authority in relation to its residents and partners/stakeholders.

The Constitution clearly defines the purpose of community leadership, effective scrutiny, and public accountability in terms of roles and responsibilities and functions. The Authority is committed to openness and acting in the public interest.

Woking Joint Committee is a committee between Woking Borough Council and Surrey County Council and makes decisions on certain services, monitors the effectiveness of public services, partnerships and joint initiatives. Local people are encouraged to take part. Members represent the Authority working formally and informally with voluntary groups.

The Council is the ultimate decision-making body and the principal forum for political debate. The Council sets the Policies and Strategies for the Authority and appoints the Leader of the Council, who then determines the appointment of the Deputy Leader and the members of the Executive.

The Executive acts within the approved policy framework and budget and leads preparation of new policies and budget. Each member of the Executive has a portfolio of work for which they take responsibility. The Authority also has an Overview and Scrutiny Committee reviewing Executive decisions, Council Services and other services in the Borough that affect the community of Woking. The other responsibilities of the Authority are discharged through its non-executive committees and the Standards and Audit Committee.

Meetings are webcast and recordings are available afterwards to view through the website.

The Constitution provides for members of the public to ask questions of the Executive at the Executive meeting. Petitions may also be put to the Council with the Constitution setting out how these are considered depending on the number of signatures. Members of the public may also ask questions at the Joint Committee.

The Council undertakes public consultations on specific matters affecting the community.

Principle C – Defining outcomes in terms of sustainable economic, social and environmental benefits

Historically the Authority's main priorities have been established and agreed. These continue to be priorities for the Authority in the current year:

1. Health and Wellbeing
2. Affordable Housing
3. The Environment
4. Economic Development

The Authority has developed a Vision – 'Towards Tomorrow Today' and a comprehensive set of values. The three pillars of People, Place and Us clarify the Authority's approach and the Service and Performance Plans reflect this structure.

The Authority also has a general approach to protect services seeking instead to achieve efficiencies and increase income generation where there are budget pressures.

The Vision, Values and Service and Performance Plans are available on the internet in the Annual Service and Performance Plan. Together these form the 'umbrella' under which the services, and individual plans sit.

The Performance Framework is owned by Members and officers. The content is communicated to a wide audience in order to ensure that these key priorities are understood and translated into operational outcomes, and it is available via the Authority's website.

The Core Strategy, adopted in October 2012, sets out the vision for Woking to 2027. The strategy has been communicated widely internally to local partners and to the wider community through interest groups. It is also available on our website.

The Authority's Climate Change Strategy, Woking 2050, balances our environmental aspirations with the Boroughs needs for development and economic prosperity. The aim of the strategy is to coordinate a wide range of objectives which can be used by the Council and Woking's residents, businesses, community groups and others to reduce the Borough's impact on the environment.

The Authority has also prepared Natural Woking, a biodiversity and green infrastructure strategy for the area. This seeks positive outcomes for habitats and people, by enhancing provision and accessibility to green spaces; conserving appropriate existing biodiversity and habitats; and creating opportunities for species to return to the Borough.

Principle D – Determining the interventions necessary to optimise the achievement of the intended outcomes

A Medium Term Financial Strategy (MTFS) is prepared on at least an annual basis and updated as circumstances change. It was last updated in March 2018 and clearly sets out the financial challenges facing the Authority. This enables the identification of resource requirements to continue the Authority's activities and secure a sustainable future. The MTFS is linked to the annual budget and service strategies.

Service planning is closely aligned to the budgeting process and identifies service developments and the associated financial impacts. Key performance indicators are set and monitored during the year.

The Authority is proactive in working together with partners and considering the most effective way for services to be provided within the community, whether that be by the Council direct or through third parties.

Actions are tracked through the Authority's decision tracking tool.

Principle E – Developing the entity's capacity, including the capability of its leadership and the individuals within it

The Performance and Development Review process is fully embedded in the Authority with annual assessments completed by all officers. The process incorporates the Council's Behaviour and Skills framework and helps to determine the Learning and Development programme.

The Authority was reassessed by Investors in People during 2016/17. The award was retained with an accreditation at the 'Silver' level.

Following the recommendation of the 2015 Peer Review, a programme of management development has been introduced to support future leaders and succession planning. This programme has been extended and developed further during 2017/18. Two groups of senior managers will complete a bespoke development programme during 2018/19.

There is a comprehensive training programme for Members. The Council's commitment to Member development was first comprehensively assessed by South East Employers in 2008. Since then Woking has successfully maintained Charter status for Elected Member Development, achieving reaccreditation every three years. The Council was successfully assessed for reaccreditation in 2015 and completed the mid-term assessment in 2017. The next full assessment is due to be undertaken at the end of 2018.

The Council reviews its programme for Member Development annually and has developed a comprehensive learning and Development Framework together with the Roles and Responsibilities of Elected Members.

Principle F – Managing risks and performance through robust internal control and strong public financial management

The system of internal control is a part of the governance framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

Formal Risk Management arrangements provide for risk identification, analysis, ownership and mitigating actions. An annual risk report is provided to the Executive. The Corporate Management Group regularly review the Strategic Risk Register. Committee reports identify and quantify risks associated with a proposal.

The system of internal financial control is based upon a framework of comprehensive financial regulations and procedures (within the Constitution), which comply with the CIPFA "Good Practice Guide for Financial Regulations in a modern English Council". Control is maintained through regular management information, management supervision, and a structure of delegation and accountability. An anti-fraud and corruption policy and whistle blowing policy are contained within the Constitution and are updated and promoted internally regularly.

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

The Authority annually reviews the effectiveness of its governance framework including the system of internal control. The review is informed by the managers who have responsibility for the development and maintenance of the governance processes, Internal Audit reviews and by comments made by the external auditor and other review agencies and inspectorates.

The Local Government Association undertook a Corporate Peer Review of the Authority in 2015. This was an independent external view of the Authority, its proposed management arrangements and medium term direction of travel. Feedback was provided and work continues on the actions identified, working towards a new review to be completed during 2019/20.

The Council's Internal Audit Service carries out a programme of independent reviews. Their work is based around the core risks faced by the Council and includes work on financial and non-financial systems, corporate programmes and partnerships. This includes adherence to established policies, procedures, laws and regulations.

These findings are brought together within this Annual Governance Statement and are reported annually to the Standards and Audit Committee which undertakes the functions of an audit committee, as identified in CIPFA's *Audit Committee – Practical Guidance for Local Authorities* and has responsibility for receipt of the Annual Governance Statement.

The Overview and Scrutiny function provides the scope to focus on issues that have the widest impact on the community and not just services directly provided by the Authority.

Monthly performance and financial monitoring information is published, including details on treasury management and group company activities.

Accessible data is available on line, where detailed information is published in accordance with transparency requirements.

4. Roles and Responsibilities

The Authority has approved a Constitution which defines and documents the roles and responsibilities of the Authority, Executive, Overview and Scrutiny and officer functions, with clear delegation arrangements and protocols for decision making and communication and codes of conduct defining the standards of behaviour for Members and staff. Delegations are recorded in accordance with the relevant Regulations.

The Thamesway Group of companies has been established by the Authority to assist in the delivery of the Council's strategic objectives with a view to securing benefits for the residents of the Borough. The Council, and the Boards of the Thamesway group of companies, have approved a set of protocols designed to make the activities of the companies open and transparent in the context of the commercial environment in which the companies operate.

The protocols were reviewed during the year and amendments agreed by the Council in February 2018. Group Company information is included in the monthly performance and financial monitoring information (Green Book).

The senior management of the Authority is structured to provide clear responsibility and accountability at both strategic (Corporate Management Group, CMG) and operational (Senior Manager) levels. The structure reflects the Authority's values and approach with management and services grouped by 'People', 'Place' and 'Us'.

The CMG comprises the Chief Executive, Deputy Chief Executive, Strategic Director, Finance Director (nominated in accordance with Section 151 of the Local Government Act 1972) and the Head of Democratic and Legal Services. Each has allocated responsibilities to ensure that there is a clear chain for decision-making and actions to implement those responsibilities. The Chief Executive is the Head of Paid Service under the terms of the Local Government & Housing Act 1989. The Head of Democratic and Legal Services is the designated Monitoring Officer and is responsible for ensuring that the Authority acts in accordance with the Constitution.

The Head of Internal Audit, provided through a framework contract with Mazars, has direct access to the Finance Director, to the Chief Executive, other CMG members and reports to Members through the Standards and Audit Committee. These arrangements are in accordance with CIPFA guidance in their publications 'Role of the Chief Financial Officer' and 'Role of the Head of Internal Audit'.

5. Significant Governance Issues

In formulating this year's Governance Statement a range of evidence has been reviewed including Statements from senior managers and Internal Audit reviews. To avoid duplication such findings are not noted in this statement other than where their implications could affect the overall effectiveness of the Authority's governance procedures and require action under the Governance Plan.

There has been a continued focus on addressing Internal Audit recommendations during the year. The position is considered by CMG quarterly where action progress can be monitored and resources redirected if necessary.

The following areas have been identified as areas for improvement in the Governance Plan and need further action in order to ensure governance arrangements remain robust for the future:

- (i) **Business Continuity**
Continue to improve the Council's processes and procedures for Business Continuity, strengthening the ability and speed of recovery in the event of a major incident.
- (ii) **Peer Review**
Continue with the areas of improvement identified by the Peer Review, including further embedding the new management structure and extension of the management training programme ahead of a future review.
- (iii) **Financial Regulations and Contract Standing Orders**
The Financial Regulations and Contract Standing Orders are due to be updated in 2018/19.

- (iv) **General Data Protection Regulation (GDPR)**
The deadline for GDPR compliance was 25 May 2018. During 2018/19 the Council should review the processes which have been put in place and identify any areas for further improvement.
- (v) **Corporate Plan**
A review of the Council's Medium Term Financial Strategy recommended that the Council set out more clearly the Council's aims and objectives, vision and values, through a Corporate Plan.
- (vi) **Capital Strategy**
New regulations and guidance published by the government and CIPFA late in 2017/18 require the Council to review Treasury Management, Investment and Capital Strategies during 2018/19.
- (vii) **Freedom of Information**
Introduce new procedures for the management of Freedom of Information requests to improve the efficiency and effectiveness of the system.

6. Conclusion

We are satisfied that the Authority has in place the necessary practices and procedures for a comprehensive governance framework, the governance arrangements provide assurance that intended outcomes will be achieved, and remain fit for purpose. The actions above will deliver further improvements and we will continue to monitor, evaluate and report on progress as part of our next annual review.

Leader of the Council
Cllr D Bittleston
Date

Chief Executive
R N Morgan OBE
Date

DRAFT: INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WOKING BOROUGH COUNCIL

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Woking Borough Council ('the Authority') for the year ended 31 March 2018 which comprise the Authority and Group Comprehensive Income and Expenditure Statements, the Authority and Group Balance Sheets, the Authority and Group Movement in Reserves Statements, the Authority and Group Cash Flow Statements, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund and the related notes, including the accounting policies on page 17.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority and the Group as at 31 March 2018 and of the Authority's and the Group's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Authority in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information published with the financial statements

The Finance Director is responsible for the other information published with the financial statements, including the Narrative Statement and the Annual Governance Statement. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information. In our opinion the other information published with the financial statements for the financial year is consistent with the financial statements.

Finance Director's responsibilities

As explained more fully in the statement set out on page 16, the Finance Director is responsible for the preparation of the Authority's 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 2017/18. They are also responsible for: such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Authority's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting on the assumption that the functions of the Authority and the Group will continue in operational existence for the foreseeable future.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities

REPORT ON OTHER LEGAL AND REGULATORY MATTERS

Report on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, Woking Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Respective responsibilities in respect of our review of arrangements for securing economy, efficiency and effectiveness in the use of resources

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.

We are required under Section 20(1) (c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether Woking Borough Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Woking Borough Council put in place proper arrangements for

securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Statutory reporting matters

The Code of Audit Practice requires us to report to you if:

- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit;
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014;
- an application has been made 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;
- an advisory notice has been issued under Section 29 of the Local Audit and Accountability Act 2014;
- an application for judicial review has been made under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

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

CERTIFICATE OF COMPLETION OF THE AUDIT

We certify that we have completed the audit of the financial statements of Woking Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Neil Hewitson
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
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July 2018