

WOKING BOROUGH COUNCIL

**DRAFT
ANNUAL FINANCIAL REPORT
AND
STATEMENT OF ACCOUNTS**

**FOR THE YEAR ENDED
31 MARCH 2022**

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EXPLANATORY FOREWORD

Introduction and Context of Government Intervention

These accounts have been finalised in 2024, two years after they would normally have been. This foreword is therefore necessarily different from the contemporaneous one that would have been prepared at the time and takes into account the significant events and findings since 2021.

On 25 May 2023, the Department for Levelling Up, Housing and Communities (DLUHC) published the outcome of its non-statutory external assurance review into Woking Borough Council's (WBC) finances, investments, and related governance. The Secretary of State considered the Council was failing to comply with its best value duty under the Local Government Act 1999. It highlighted the scale of financial and commercial risk due to the Council's legacy of disproportionate levels of debt at over £2billion. This then led to the appointment of Government Commissioners for a period of up to five years to oversee an Improvement and Recovery Plan, first published in August 2023.

On 7 June 2023, the then Section 151 Officer issued the Council with a Section 114 Notice. The notice was required because the Council's expenditure was likely to exceed the financial resources available, and therefore it could no longer balance its budget for the remainder of the financial year and subsequent years. The serious financial shortfall was a direct result of WBC's historic investment strategy that had resulted in unaffordable borrowing, inadequate steps to repay that borrowing, and high values of irrecoverable loans. The notice stated that against available core funding of £16m in the 2023/24 financial year (£19m in 2024/25), WBC faced a deficit of £1.2bn, which includes two key elements: the cost of impaired loans to its own companies (£614m) which is a balance sheet adjustment and, secondly, the need to make backdated provision in its revenue account for the repayment of debt and write-off of some loans.

The size and scale of the historic debt prevented a legal budget being set for 2024/25 without some form of support from Government. To access that support, the Council had to show that it was 'living within its means' and taking steps to meet a significant part of the deficit from its own resources. This was demonstrated by the agreement to £8.4million of savings on its service budgets at Council on 8 February 2024 and setting a Council Tax of 9.99% in March 2024.

There is also an imperative to reduce the level of debt and the Council is developing its Asset Rationalisation Plan for the Council's property portfolio, in a way that delivers the best returns for the public purse, allowing key services to be maintained and reducing the cost of debt servicing through a Debt Reduction Plan. The overall deficit was re-assessed in March 2024 as part of setting the 2024/25 budget as up to £784m on the revenue account (£192.9m relating to 2024/25 and £591.5m relating to previous years), making the total impact £1.4billion including the balance sheet impairment (that will be re-assessed as part of the 2023/24 accounts). Without exceptional financial support, the Council would have had significant negative reserves. The £784m was covered by the support from Government via a Capitalisation Direction (which allows the Council's deficit to be transferred to the balance sheet via Government approved borrowing) and through the deferral of MRP (Minimum Revenue Provision). A new MRP Policy was agreed as part of the 2024/25 budget setting process.

2023/24 Accounts – Accounting for Prior Year Adjustments and Group Companies

The above events have clearly led to a significant re-assessment of both the revenue account and balance sheet of the Council. Given the complex, and still evolving nature, of the Council's financial position, the decision has been taken that adjustments will be made in the 2023/24 accounts, rather than re-stating prior years. The intention is to:

- achieve the right level of clarity and public transparency on the Council's financial position in that one year by bringing all financial statements up to date.

- fit with the process of Government support ie the £784m Capitalisation Direction issued to support the setting of the 2024/25 budget. The application of this Direction included assessments of prior year financial revenue deficits.
- allow the loan impairment, previously assessed as £614m to be dealt with as an up-to-date balance sheet adjustment, based on current valuation of investments.
- make the process efficient, avoiding the need for multiple years' accounts to be adjusted, particularly given that historic record keeping in the Council is poor and makes following transactions back difficult.
- to allow the adjustments to be examined and reviewed by the Council's newly appointed auditors for 2023/24, Grant Thornton.

These accounts for 2021/22 will be published in July 2024 at the same time as the accounts for 2020/21, with the 2022/23 and 2023/24 accounts to follow in the autumn of 2024. The accounts are for Woking Borough Council (BC) as a single entity – the Group accounts for all four years to 2023/24 will be published later in 2024. The publication of the accounts is a major milestone the Council's Improvement and Recovery Plan, rectifying and improving financial management in Woking BC.

Audit Status of the Accounts and Objections

The Council's last audited set of accounts is for 2018/19. The Council previously published draft accounts for 2019/20 and 2020/21 on its website, but the Council's auditors for the period to 2022/23 (BDO LLP) have not completed their audits of those accounts. This is for two reasons:

- firstly, in common with many other council auditors, there has been a significant strain on the fees for and resources available for auditors to complete audits.
- the challenge of assessing Woking BC's specific financial circumstances, in particular the investments in and value of the group companies.

In addition, a local elector made an objection to the 2019/20 accounts, based on the Council's borrowing and investments in the accounts. These matters are now the subject of the adjustments to be made to the 2023/24 accounts.

Resolving the outstanding audits is now dependent on national regulation to provide a "backstop" date by which auditors will have to pass a form of limited opinion on outstanding accounts or through other government guidance. A significant number of councils are now subject to this and awaiting finalisation of the approach by Government and accounting bodies.

Summary and Explanation of Key Statements

Outturn

The Council's accounts comply with accounting standards, as set out in the accounting policies section. A number of accounting conventions differ from those that apply to local authorities due to legal requirements. The budget and council tax setting and in year reporting in year against budget is on this statutory basis – the notable differences being how debt, depreciation and pensions are accounted for.

The 2021/22 outturn had the following impact on General Fund and Housing Revenue Account (HRA) balances and reserves as at 31 March 2022:

- £1.500m General Fund Balance [no movement in the year],
- £28.229m General Fund Earmarked Reserves [in year reduction of £10.910m]
- £0.337m HRA balance [in year increase of £0.002m]
- £2.608m HRA Earmarked Reserves [in year reduction of £1.593m]

The main reasons for the reduction in General Fund Earmarked Reserves of £10.910m was to fund general fund revenue, with the main changes being:

- Business Rate Equalisation Reserve - Held to mitigate fluctuations in business rate yields and timing differences with associated government grants and the Collection Fund Adjustment Account, £6.380m was transferred out of this reserve in 2021/22; and
- Wolsey Place Reserve - The £3.583m balance was fully used on this account, as was its intended purpose, to offset revenue shortfalls arising from tenant vacancies and rent-free periods.

The main reasons for the reduction in HRA Earmarked Reserves of £1.593m was to fund HRA revenue i.e. £1.593m drawdown of reserves from the Housing Investment Programme (HRA earmarked reserve) was used to finance expenditure on housing projects during the year.

Comprehensive Income and Expenditure Statement (CIES)

This statement summarises the costs of providing all Council services and the income and resources received in financing the expenditure. The expenditure and income is reported in the Council's statement of accounts under the Comprehensive Income and Expenditure Statement (CIES). The CIES takes a wider view of financial performance and shows the accounting position for the year, namely a surplus of £4.789m (analysed between £5.890m surplus on the GF and £1.101m deficit on the HRA).

Movement in Reserves Statement (MIRS)

This statement shows the movement during the year of the different reserves held by the Council, both revenue and capital. This movement analyses the deficit/surplus position on revenue in the CIES through to the impact on the balance sheet. Movements on capital reserves reflect the funding of the capital programme in year.

Reserves are reported in two categories, usable and unusable. Usable reserves are those that the Council may use to provide services, subject to the need to maintain a prudent balance and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). This split of reserves is analysed further in the notes to the accounts.

Balance Sheet

The Balance Sheet includes information on the Council's non-current and current assets, short term and long-term liabilities and the balances at its disposal at the reporting date.

Cash Flow Statement

This statement provides a summary of the flow of cash into and out of the Council for revenue and capital purposes.

Housing Revenue Account

This account reflects the statutory obligation under the Local Government and Housing Act 1989 to show separately the financial transactions relating to the provision of local council housing.

A review of charges between the General Fund and HRA was undertaken in 2024 as part of the 2024/25 budget process. This has resulted in a retrospective adjustment to prior year accounts in favour of the HRA, including 2021/22 (£286k) and 2022/23 (£518k) plus prior years (totalling £575k). These adjustments will be accounted for in the 2022/23 accounts.

Collection Fund

This statement summarises the transactions of Woking Borough Council as a Billing Authority in relation to National Non-Domestic Rates and Council Tax, and illustrates the way in which income has been distributed to the Precepting Authorities (i.e. Surrey County Council and Surrey Police). Any surplus or deficit is split between WBC and the precepting authorities and is carried forward to following years and taken into account in future years' tax setting.

Stephen Fitzgerald

Strategic Director of Finance and Section 151 Officer

REVENUE OUTTURN STATEMENTS

2021/22

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 the above three thematic areas, which were in place during the financial year.

OUTTURN STATEMENT - NOTES

People

(1) Community Support

Centres for the Community - There is an underspend following closure of The Junction (£33,000) and reduced services at Moorcroft (£35,000) and Parkview (£23,000)

Community Engagement - Household Support Fund expenses offset against Government Grants received.

Underspend on staffing (£57,000) and increase translation income (£75,000)

Community Safety - There is an underspend achieved within Womens Support Centre due to funding received (£141,000).

Family Support Programme - This is the recharge for the Family Centres for prior years. Currently with Legal before we can invoice for payment (£292,000)

There was an overspend of £16,000 on Grants.

(2) Health and Well Being and Cultural Development

Arts, Heritage and Events -There is an underspend as no contribution is made to New Victoria Theatre in year (£150,000), savings on general expenditure (£18,000)

Children and Youth Development - There is an underspend due to reduced staff costs (£14,000)

Health and Wellbeing - There is an overspend in employee costs (£75,000) which is offset by reduction in costs (£61,000) and increase in income (£98,000).

Leisure Services - There is an overspend due to Leisure Management Fee (£438,000) and increase in energy costs (£405,000)

(3) Housing

Expenditure on employees and capital charges was £46,000 less than budgeted and other savings in non HRA housing services (£11,000) and Mental health grants (£6,000)

Expenditure against the standard Bed and Breakfast budget is £17,000 less than budgeted in 2020/21. A number of new Temporary accomodation units & an increase in Private Sector Leasing Scheme units have eased some of the pressure on the Council's standard Bed and Breakfast budget.

WBC's preventing homelessness budgets are not set solely on the level of grant funding received from the Government and historically WBC has spent more on Preventing Homelessness than the funding received. The surplus of £397,000 will be reviewed to balance how much funding should be transferred to the Homelessness Reserve to fund one off initiatives, and how much should be used to fund WBC's costs in tackling homelessness. We also received funding for Support for Vulnerable renters, Housing for Ex-Offenders (AFO) and MEES Compliance.

Financial Penalty income was included in the Housing Standards and Selective Licensing budgets. The Council works proactively with Landlords to ensure appropriate standards of accommodation are maintained meaning financial penalties are not frequently required.

Housing benefit costs, net of government subsidy, were £3,000 less than budgeted.

There is an underspend in the Temporary Accomodation budget of £70,000. This is because the income includes rents from 121 Chertsey road which is being used as Temporary Accomodation from this year (it was used as Private Sector Leasing Scheme in the previous year). This years rental income figures also include the new Waterman House temporary Accommodation site.

The Private Sector Leasing scheme is more popular and used more than Lets Rent scheme (in which there is an underspend of £57,000), however, there is an under-recovery of £189,000 in the scheme. Increased PSL lettings have also led to increased PSL expenses and there has been a shortfall in income in 2021/22 due to long term voids. (The turnaround time was much longer than expected due to contractor issues resulting in a rental loss for 2021/22 of £73,000 with 1,828 days lost.)

OUTTURN STATEMENT - NOTES (cont.)

(4) Independent Living

Brockhill and Hale End Court - Hale End Court opened its doors at the end of 2021, underspend of (£45,000). Brockhill - Increase in staff costs (£44,000) plus increased energy costs (£18,000) and reduction in fees and rent (£14,000) less increase in income (£45,000) and savings on expenditure (£65,000)

Careline - Overspend on staff cost (£6,000)

Community Meals - MOW increased take up increases income (£28,000)

Place

(5) Sustaining the Local Economy

The overspend against budget totalling to £3,494,000 is mostly due to Parking (£3,656,000) and employees (£146,000), which is partly offset by an underspend on Business Liaison (£13,000). There is an adjustment made to prior year's income (£295,000).

The gradual lifting of Covid restrictions and impact of changes to behaviours has meant parking activity is still significantly reduced during 2021/22. The income outturn was slightly better than anticipated, however, this was offset by increased costs such as energy and water. The overall parking variance is £3,580,000 shortfall in income and £76,000 increased costs for energy and water.

The government has extended the income compensation scheme for lost sales, fees and charges to 30 June 2021, which will fund 75% of the losses over an initial 5% reduction in income. The forecast income from this scheme is shown separately.

(6) Environmental Quality

The underspend against budget totalling to £370,000 is mostly due to Waste & Recycling (£100,000), employees (£325,000) and CCTV (£35,000) offset by overspends on Capital charges (£52,000), Public Liability Claims (£27,000), and some minor variations such as War Memorials (£11,000).

Gate fee savings made below the threshold gate fee of £40 of which WBC receive a 50% share is £53,000. In addition budgets for clear up sites, receptacle cleaning, signs/frames and repairs, and some advertising were not required during the year, and have resulted in an underspend of £100,000 on Waste and Recycling. Due to additional tree planting there has been an increase in the number of public liability claims resulting in costs of £27,000 being the insurance excess payable by the council.

Contributions of £47,250 have been received from the police towards the management of the C.C.T.V. during 2021/22 which is partly offset by some control room operational costs of £13,717.

(7) Place Making

The overspend against budget totalling to £4,948,000 is mainly due to a shortfall in income and void costs on Estates Management (£3,781,000) and other overspends (£420,000); Development Management (£552,000) and employee costs (£220,000). These were partly offset by underspends on capital charges (£11,000), Woking Old Palace (£9,000), and other miscellaneous underspends (£5,000). Further details are below.

The National Lockdowns and various levels of restrictions in force has resulted in a difficult trading environment for businesses within the Borough. A number of tenants in the Council's commercial properties have had difficulties in paying rent and service charges due during this period. Where possible arrangements have been made to recover amounts due over time. We also have a number of buildings with a greater number of voids than were anticipated at the time of budget setting. The lost income in 2021/22 through a combination of voids and the impact of covid is £2,179,812 in rent, and £928,474 in service charge arrears and void costs (this includes service charges of £455,000 which relate to prior years for The Peacocks-Theatre & Cinema, Car Park, Gloucester Chamber and Wolsey Place/Export House) and other overspends like 5 Hill View Rents and Public Liability costs £106,000. Due to the Covid pandemic the Town Centre Leisure lease had been extended to October 2021 to accommodate the housing pods provision for rough sleepers. There have also been costs relating to the assignment of the footbridge licence costs, giving a total cost of £567,455 in 2021/22.

OUTTURN STATEMENT - NOTES (cont.)

Despite a significant increase in the number of planning applications being received, these generally involved the submission of householder and minor applications which attract lower fees. Income was £288,000 'below budget' for the financial year as a result of not receiving planning applications for large scale developments, particularly residential. Consultancy and staff overspends are £215,000

Us

(8) Democratic Services

The underspend against budget is mainly due to additional income from loan arrangement fees of £1,250,000, an underspend on employee costs (£332,000) and underspends on Civic Events (£65,000) and the Mayors Car Costs (£29,000). There were offsetting overspends on Borrowing costs (£163,000), Corporate Management Costs (£8,000) and Members Costs (£28,000).

There were overspends on internet transaction charges of £21,000 and on bank charges (£2,000).

There was a small underspend on Audit fees £3,000.

Elections were underspent by £34,000.

(9) Corporate Services

The overspend against budget of £14,000 is mainly due to several variations within the Public Relations budget (£15,000) and an underspend on Statutory Advert costs (£15,000). There were offsetting overspends on the Key Leisure Pass (£25,000) and Woking Magazine publications (£19,000).

(10) Customer Support Services

The net overspend against budget totalling to £494,000 included, an overspend on net cost of Housing Benefits £834,000 and other overspends £27,000 This was offset by savings in subscriptions £83,000.

The activity level for Taxi Licences have been lower than forecast resulting in an overspend of £34,000.

There was an underspend of £318,000 on revenue collections due to collection fund adjustments (C\tax summon arrears).

(11) Housing Revenue Account (HRA)

Rent collection for the HRA ended the year at a rate of 99.43% excluding any brought forward balance, this was up on the 98.11% collected in 2020-21. The overall arrears balance at the end of the year for current tenants was £789,338 which shows a small improvement on the previous year end figure of £797,170 with the current tenant arrears percentage falling marginally from 4.33% to 4.29%. Although the actual improvement was only very small this is a significant improvement over the early predictions for 2021-22 which indicated a potential increase in arrears of approx. £200,000, against a revised estimate for bad debts provision of £156,990. This turn around in collection performance is largely down to the excellent work carried out by the Income Collection team. All debts that are over 6 years old will be reviewed during the coming months to ensure these are being written off where they are now statute barred. The New Vision Homes contract ended on 31/03/2022. On 11th February 2021, Council resolved to bring the New Vision Homes contract services in house at the end of the contract term.

Income was £388,000 more than budgeted, but this was offset by increased repairs cost of £372,000. Although there was a savings in the supervision and Mangement costs of £191,000, the contribution to major repairs reserve was £160,000 more than budgeted.

(12) Investment Programme Revenue Projects

These projects are charged to the CIES net cost of services at year end and transfers are made from revenue reserves to cover their costs if they are not covered by specific grants. 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 Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In Woking, that officer is the Strategic Director of Finance (Section 151 Officer);
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the statement of accounts.

The Strategic Director of Finance Responsibilities

The Strategic Director of Finance is responsible for the preparation of the Council's Statement of Accounts which, in terms of the CIPFA Code of Practice on Local Authority Accounting in Great Britain ('the Code of Practice'), are required to present fairly the financial position of the Council, at the accounting date and the income and expenditure for the year then ended. Given the limitations of the financial information available, the issues concerning bad debt on investments in the group companies identified in the June 2023 Section 114 Notice and Capitalisation Direction, are to be dealt with in the 2023/24 accounts, the prior year accounts will not be adjusted.

In preparing the statement of accounts, the Strategic Director of Finance has:

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

The Strategic Director of Finance has also:

- Used the accounting records which were available to him; and
- 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.

These accounts should be read in context with the note regarding the 2023/24 Accounts (Accounting for Prior Year Adjustments and Group Accounts) as set out in the Explanatory Foreword. This explains that the group accounts for Woking Borough Council owned companies have not been prepared at this stage and that the issues outlined in the Section 114 Notice (issued in June 2023) will be dealt with in the 2023/24 accounts.

Stephen Fitzgerald: _____
Strategic Director of Finance
& Section 151 Officer

Claire Storey: _____
Chair of Audit and Governance Committee

Date: _____

Date: _____

ACCOUNTING POLICIES

1. GENERAL

The Statement of Accounts summarise the Council's transactions for the 2021/22 financial year and its position at the year end of 31 March 2022. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those require to be prepared in accordance with proper accounting practices. These practices primary comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 ("the Code of Practice"), supported by International Financial Reporting Standards ("IFRS").

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

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, provided that it is probable that future economic benefits or service potential associated with the item will flow to the Council and the cost can be measured reliably.

Assets are initially measured at cost, comprising:

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

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

- Assets under construction - historical cost.
- Community Assets - historical cost.
- Dwellings - current value, determined using the basis of existing use value for social housing ("EUV-SH").
- Surplus assets - the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective.
- All other assets - current value, determined as the amount that would be paid for the asset in its existing use (existing use value - "EUV").

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

Where assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value following the materiality concept.

Revaluations of non-current assets are carried out on a rolling programme, although assets are valued more regularly where the rolling programme would be insufficient to ensure the material changes in valuation are recognised. Valuations are carried out by internal and external 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 non-current 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. HERITAGE ASSETS

Heritage assets are assets with historical, artistic, scientific, technological, geophysical or environmental qualities held and maintained principally for their contribution to knowledge or culture. Heritage assets are included 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.

4. INVESTMENT PROPERTY

Investment properties are those that are used solely to earn rentals and/or for capital appreciation.

The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

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

Rentals received in relation to investment properties are credited to the Financing and Investment Income and Expenditure line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement In Reserves Statement and posted to the Capital Adjustment.

5. DEPRECIATION AND AMORTISATION

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

There is no requirement to depreciate investment properties.

Intangible assets are amortised by systematic allocation of their amortised amounts over their useful lives.

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 an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item and the asset lives are materially different, the components are depreciated separately.

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. The intangible assets held at 31st March have a finite life and are amortised over a maximum of 7 years.

Depreciation is not permitted to have an impact on the General Fund Balance (with the exception of Council dwelling and non-dwelling depreciation). The depreciation is therefore reversed out of the General Fund balance in the Movement In Reserves Statement and posted to the Capital Adjustment Account.

Housing Revenue Account dwelling and non-dwelling depreciation is a real charge and impacts the Housing Revenue Account balance. The impact is reflected in the Movement In Reserves Statement including entries in the Major Repairs Reserve and Capital Adjustment Account.

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.

6. CHARGES TO REVENUE FOR NON-CURRENT ASSETS

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

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

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

The dwellings and non-dwellings depreciation for the Housing Revenue Account is a real charge to the Housing Revenue Account Income and Expenditure Statement.

7. REVENUE EXPENDITURE FUNDED BY 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.

8. CAPITAL RECEIPTS

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

When an asset is disposed of or decommissioned the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. The income from the disposal of non-current assets is credited to the same line in the Comprehensive Income and Expenditure Statement on an accruals basis (i.e. netted off against the carrying value of the asset at the time of disposal). Any difference between the capital receipt received and the market value of the non-current asset will be shown as profit or loss on the sale of non-current assets.

The Statement of Movement in the General Fund Balance reverses any profit or loss on the sale of non-current 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 moves the value of the non-current asset to the Capital Adjustment Account. Any revaluation gains accumulated for the non-current asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

9. DEBTORS AND CREDITORS AND REVENUE RECOGNITION

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.

Income is recognised in the accounts to match the timing of the related transfer of goods and services. Revenue from contracts with service recipients is recognised once the Authority satisfies the performance obligation under the contract.

10. 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.

11. PROVISIONS AND RESERVES

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or payment of compensation.

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

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year - where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service segment.

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

Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement In Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service segment in the year to score against the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund balance in the Movement In Reserves Statement so that there is no net charge against Council Tax (and rents in respect of the housing revenue account) for the expenditure.

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

12. LEASES

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. 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

The Authority does not have any finance leases.

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.

13. 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 pension's 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 pensions explanatory notes.

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 465, Reigate, RH2 2HA.

14. 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.

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.

15. 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 categorised and included in the Balance Sheet in accordance with proper practices and Council policy.

16. FINANCIAL INSTRUMENTS

Financial Liabilities

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

For most of the borrowings that the authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable plus accrued interest, and the interest charged to the CIES is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the CIES to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement In Reserves Statement.

Financial Assets

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

- Amortised cost
- Fair value through profit or loss (FVPL), and
- Fair value through other comprehensive income (FVOCI)

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

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

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

17. 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 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 23 to the Balance Sheet.

18. 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.

19. 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.

20. COUNCIL TAX AND NON-DOMESTIC RATES

The Council is a billing authority for Council Tax and non-domestic rates (“NDR”). Billing authorities act as agents, collecting Council Tax and non-domestic rates on behalf of the major preceptors (including government for NDR) and, as principals, collecting Council Tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of Council Tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of Council Tax and NDR collected could be less or more than predicted.

The Balance Sheet includes the Council’s share of the end of year balances in respect of Council Tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made, the asset is written down and a charge made to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

Accounting for Council Tax:

While the Council Tax income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the Council's General Fund, or paid out to the major preceptors. The amount credited to the General Fund under statute is the Council's demand for the year plus or minus the Council's share of the surplus or deficit on the Collection Fund for the previous year.

The Council Tax income included in the Comprehensive Income and Expenditure Statement is the Council's share of the Collection Fund's accrued income for the year. The difference between this value and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account via the Movement In Reserves Statement. Revenue relating to Council Tax shall be measured at the full amount receivable (net of any impairment losses) as the transactions are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.

The cash collected by the Council from Council Tax payers belongs proportionately to the Council and the major preceptors. The difference between the amounts collected on behalf of the major preceptors and the payments made to them is reflected as a debtor or creditor balance as appropriate.

Accounting for non-domestic rates:

While the NDR income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the Council's General Fund or paid out to the precepting authorities and the Government. The amount credited to the General Fund under statute is the Council's share of NDR for the year specified in the Non-Domestic Rates NNDR1 return.

The NDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of the Collection Fund's accrued income for the year and is as set out in the NNDR3 return. The difference between this value and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account via the Movement In Reserves Statement. Revenue relating to NDR shall be measured at the full amount receivable (net of any impairment losses) as these transactions are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.

The cash collected by the Council from NDR payers belongs proportionately to the Council, the precepting authorities and Government. The difference between the amounts collected on behalf of the precepting authorities and Government and the payments made to them is reflected as a debtor or creditor balance as appropriate.

21. PRIOR PERIOD ADJUSTMENT, CHANGES IN ACCOUNTING POLICIES AND ESTIMATES AND ERRORS

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

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

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

22. COUNCIL ACTING AS AGENT

Where the Council is acting as an agent (i.e. in respect of a number of Covid grants) the transactions will be accounted for on the Balance Sheet, with a debtor or creditor shown at the year end and as cash inflows and outflows in the Cash Flow Statement.

In respect of Covid grants the Council is acting as an agent where it will not be in control of Government funding where it is responsible only for distributing amounts to beneficiaries in accordance with rules specified by the funder, so that the recipients and the amounts they receive would be no different if the Government had distributed the funding itself.

23. SIGNIFICANT JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In 2020/21 and 2021/22 the Council received a significant amount of Covid grants from Central Government. Having regard to the specific terms and conditions for each individual grant, a judgment has been made as to whether the Council is acting as a principal or agent, and have been accounted for accordingly in the Comprehensive Income and Expenditure Statement or Balance Sheet.

The impairment of the Council's investments [loans to companies – principal and interest], and charging minimum revenue provision MRP] for loans, will be accounted for in 2023/24 as part of the Government's capitalisation direction.

24. IMPACT OF ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

The Code of Practice on Local Authority Accounting in the United Kingdom ("the Code of Practice") requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard which has been issued but is yet to be adopted by the 2021/22 Code of Practice.

The Code of Practice also requires that changes in accounting policy are to be applied retrospectively unless transitional arrangements are specified, this would result in an impact on disclosures spanning two financial years.

Accounting changes that are introduced by the 2022/23 Code of Practice are:

- IFRS 1 First-time adoption of IFRS – subsidiary as a first-time adopter;
- IAS 37 Provisions, Contingent Assets and Contingent Liabilities – specification of costs to be included when assessing whether a contract will be onerous;
- IAS 41 Agriculture – taxation in fair value measurements; and
- IAS 16 Property, Plant and Equipment – proceeds before intended use.

These changes for 2022/23 are not anticipated to have a material impact on the Council's financial performance and financial position.

IFRS 16 Leases is not included in the above list of accounting changes because CIPFA/LASAAC have deferred implementation of IFRS 16 for local government to 1 April 2024, and the Council is not adopting the Standard earlier (as permitted by the Code). The changes to be introduced by IFRS 16 will mean that operating leases where the Council is lessee, will be reflected in the Balance Sheet based on the concept of 'right of use'. Whilst work is currently underway to assess the impact on the Council, at the current time the impact is not known.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2020/21				2021/22		
Expenditure £'000	Income £'000	Net Cost £'000		Expenditure £'000	Income £'000	Net Cost £'000
13,829	5,115	8,714	People	17,344	7,427	9,917
20,914	11,168	9,746	Place	23,766	10,335	13,431
30,416	23,907	6,509	Us	27,334	21,506	5,828
12,158	18,062	-5,904	Housing Revenue Account	13,764	18,326	-4,562
30,224	21,487	8,737	Investment Programme Projects & Covid	-2,097	8,032	-10,129
107,541	79,739	27,802	NET COST OF SERVICES	80,111	65,626	14,485
		723	- Contribution to Housing Pooled Capital Receipts			536
		723	Other Operating Expenditure			536
		40,878	- Interest payable and similar charges			47,038
		3,761	- Pensions interest on obligation (pension notes)			4,127
		-2,193	- Expected return on pension assets (pension notes)			-2,460
		-28,024	- Investment interest income			-32,455
		-21,327	- Rentals received on investment properties			-21,526
		8,747	- Expenses incurred on investment properties			6,115
		43,575	- Changes in fair value of investment properties			-2,904
		45,417	Financing & Investment Income & Expenditure			-2,065
		-4,159	- Non-domestic rates income and expenditure			-2,056
		-11,946	- Non-ring fenced government grants			-5,304
		-10,111	- Council Tax Income			-10,385
		-26,216	Taxation and Non-Specific Grant Income & Expenditure			-17,745
		47,726	Surplus(-) or Deficit on Provision of Services			-4,789
		-12,121	Surplus(-)/deficit on revaluation of Property, Plant & Equipment Assets			-2,701
		12,466	Actuarial gains(-)/losses on pension assets/liabilities			-19,040
		345	Other Comprehensive Income and Expenditure			-21,741
		48,071	Total Comprehensive Income and Expenditure			-26,530

MOVEMENT IN RESERVES STATEMENT

	General Fund (GF) Notes 1&2 £'000	Housing Revenue Account (HRA) Notes 1&2 £'000	Capital Receipts Reserve Note 3 £'000	Major Repairs Reserve Note 4 £'000	Capital Grants Unapplied Note 5 £'000	Total Usable Reserves £'000	Unusable Reserves Notes 6 - 11 £'000	Total Authority Reserves £'000
Balance at 31 March 2020 carried forward	30,846	5,336	57,946	5	1,673	95,806	94,615	190,421
<u>MOVEMENT IN RESERVES DURING 2020/21</u>								
Surplus or Deficit (-) on Provision of Services (accounting basis)	-48,170	444	0	0	0	-47,726	0	-47,726
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	-345	-345
Total Comprehensive Income and Expenditure	-48,170	444	0	0	0	-47,726	-345	-48,071
Adjustments between accounting basis & funding basis under regulations (Note 1)	57,961	-1,242	5,989	11	1,482	64,201	-64,210	-9
Increase/Decrease (-) before Transfers to Earmarked Reserves	9,791	-798	5,989	11	1,482	16,475	-64,555	-48,080
Transfers to/from (-) Earmarked Reserves	0	0	0	0	0	0	0	0
Increase/Decrease in Year	9,791	-798	5,989	11	1,482	16,475	-64,555	-48,080
Balance at 31 March 2021 carried forward	40,637	4,538	63,935	16	3,155	112,281	30,060	142,341
<u>MOVEMENT IN RESERVES DURING 2021/22</u>								
Surplus or Deficit (-) on Provision of Services (accounting basis)	5,890	-1,101	0	0	0	4,789	0	4,789
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	21,740	21,740
Total Comprehensive Income and Expenditure	5,890	-1,101	0	0	0	4,789	21,740	26,529
Adjustments between accounting basis & funding basis under regulations (Note 1)	-16,798	-492	13,070	595	1,526	-2,099	2,099	0
Increase/Decrease (-) in Year	-10,908	-1,593	13,070	595	1,526	2,690	23,839	26,529
Balance at 31 March 2022 carried forward	29,729	2,945	77,005	611	4,681	114,971	53,899	168,870

BALANCE SHEET

31 MARCH 2021		31 MARCH 2022	
£'000		£'000	£'000
302,057	Property, Plant & Equipment (note 1)	338,995	
167,606	- Council Dwellings	153,472	
6,836	- Other Land and Buildings	6,942	
15,105	- Vehicles, Plant and Equipment	15,105	
67,233	- Community Assets	54,260	
558,837	- Assets Under Construction		568,774
918	Heritage Assets (note 1 and 2)		884
329,716	Investment Property (note 1)		348,795
159	Intangible Assets (note 1)		119
37,808	Long-Term Investments (note 6)		37,808
	- Shareholdings in Companies		
1,869	Long-Term Debtors (note 7)		1,793
952,823	- Mortgagees		1,138,218
	- Others		
1,882,130	Long Term Assets		2,096,391
5	Inventories	5	
96,606	Short Term Debtors (note 8)	77,925	
14,571	Cash and Cash Equivalents (note 9)	35,728	
111,182	Current Assets		113,658
-216,707	Short-Term Borrowing (note 10)	-110,710	
-35,088	Short Term Creditors (note 11)	-42,477	
-304	Provision for accrued absences	-407	
-252,099	Current Liabilities		-153,594
-1,509	Provisions (note 15)	-2,619	
-1,473,456	Long-Term Borrowing (note 12)	-1,775,797	
-25,667	Liabilities from PFI & Similar Contracts (note 23)	-24,472	
-82,217	Liability related to pension scheme	-67,232	
-16,023	Capital Grants Receipts in Advance (note 13)	-17,465	
-1,598,872	Long Term Liabilities		-1,887,585
142,340	NET ASSETS		168,870

BALANCE SHEET

31 MARCH 2021		31 MARCH 2022	
£'000		£'000	£'000
1,500	General Fund		1,500
39,139	Earmarked Reserves - GF		28,229
4,201	Earmarked Reserves - HRA		2,608
335	Housing Revenue Account		337
16	Major Repairs Reserve		611
63,935	Capital Receipts Reserve		77,005
3,155	Capital Grants Unapplied		4,681
112,281	Usable Reserves		114,971
115,081	Revaluation Reserve		115,080
-82,217	Pensions Reserve (pension notes)		-67,232
7,020	Capital Adjustment Account		12,110
-944	Financial Instruments Adjustment Account		-925
-304	Employee Benefits Reserve		-407
-8,577	Collection Fund Adjustment Account		-4,727
30,059	Unusable Reserves		53,899
142,340	TOTAL RESERVES		168,870

For further information on reserve movements during the year, see the notes to the Movement in Reserves Statement.

CASH FLOW STATEMENT

2020/21		2021/22	
£'000		£'000	£'000
	<u>Revenue Activities</u>		
-47,726	Net surplus/deficit (-) on the provision of services	4,789	
58,297	Adjust net surplus/deficit (-) for non-cash movements (Note 1)	6,713	
10,571	Net cash flow from operating activities		11,502
	<u>Investing activities</u>		
	<u>Cash Outflows</u>		
-91,436	Purchase of fixed assets and revenue expenditure funded by capital under statute	-57,673	
-256,286	Loans to subsidiaries and joint ventures	-184,539	
-208	Movement in other long term debtors	0	
	<u>Cash Inflows</u>		
3,528	Sale of assets	30,656	
21,901	Capital grants received	12,638	
0	Movement in other long term debtors	3,572	
5,739	Other capital cash receipts	10,984	
-316,762	Net cash flow from investing activities		-184,362
-306,191	Net cash flow before financing		-172,860
	<u>Financing Activities</u>		
	<u>Cash Outflows</u>		
-24,156	Repayments of long term borrowing	-47,788	
-156,000	Repayments of short term borrowing	-212,034	
-1,094	Payment of PFI lease liability	-1,195	
	<u>Cash Inflows</u>		
195,000	New long term loans raised	345,000	
288,000	New short term loans raised	110,034	
301,750	Net cash flow from financing activities		194,017
-4,441	Net increase/decrease (-) in cash and cash equivalents		21,157
19,012	Cash and cash equivalents at 1 April		14,571
14,571	Cash and cash equivalents at 31 March		35,728

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT EXPLANATORY NOTES

1. a) EXPENDITURE AND FUNDING ANALYSIS

2021/22

	Net Expenditure Chargeable to the General Fund & HRA Balances £'000	Adjustments between Funding and Accounting Basis (Note 1.(b)) £'000	Net Expenditure in the Comprehensive Income & Expenditure Statement £'000
People	9,579	338	9,917
Place	-4,790	18,221	13,431
Us	5,370	458	5,828
Council Housing (Housing Revenue Account)	-4,411	-151	-4,562
Investment Programme Projects (General Fund)	2,949	-13,078	-10,129
NET COST OF SERVICES	8,697	5,788	14,485
Other income and expenditure	3,804	-23,078	-19,274
Surplus(-) or deficit on Provision of Services	12,501	-17,290	-4,789
Opening General Fund & HRA Balance at 1 April	45,175		
Deficit(-)/Surplus on General Fund & HRA Balance in Year	-12,501		
Closing General Fund & HRA Balance at 31 March	32,674		

Analysed between General Fund & HRA Balances

	General Fund £'000	HRA £'000	Total £'000
Opening General Fund & HRA Balance at 1 April	40,637	4,538	45,175
Less Deficit/Surplus(-) on General Fund & HRA Balance in Year	-10,908	-1,593	-12,501
Closing General Fund & HRA Balance at 31 March	29,729	2,945	32,674

2020/21

	Net Expenditure Chargeable to the General Fund & HRA Balances £'000	Adjustments between Funding and Accounting Basis (Note 1.(b)) £'000	Net Expenditure in the Comprehensive Income & Expenditure Statement £'000
People	9,647	-933	8,714
Place	-6,338	16,083	9,745
Us	5,393	1,116	6,509
Council Housing (Housing Revenue Account)	-4,761	-1,142	-5,903
Investment Programme Projects	4,264	4,473	8,737
NET COST OF SERVICES	8,205	19,597	27,802
Other income and expenditure	-17,198	37,122	19,924
Surplus(-) or deficit on Provision of Services	-8,993	56,719	47,726
Opening General Fund & HRA Balance at 1 April	36,177		
Deficit(-)/Surplus on General Fund & HRA Balance in Year	8,993		
Closing General Fund & HRA Balance at 31 March	45,170		

Analysed between General Fund & HRA Balances

	General Fund £'000	HRA £'000	Total £'000
Opening General Fund & HRA Balance at 1 April	30,843	5,334	36,177
Less Deficit/Surplus(-) on General Fund & HRA Balance in Year	9,791	-798	8,993
Closing General Fund & HRA Balance at 31 March	40,634	4,536	45,170

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

Adjustments to arrive at the Comprehensive Income and Expenditure Statement amounts in 2021/22	Adjustments for Capital Purposes (Note i) £'000	Net change for the Pensions Adjustments (Note ii) £'000	Other Adjustments (Note iii) £'000	Total Adjustments £'000
People	-394	732	0	338
Place	2,362	807	15,052	18,221
Us	0	731	-273	458
Council Housing (Housing Revenue Account)	-498	334	13	-151
Investment Programme - REFCUS (Note vi)	-4,953	0	0	-4,953
Investment Programme - Grants/Other Income (Notes vii)	0	0	-8,125	-8,125
NET COST OF SERVICES	-3,483	2,604	6,667	5,788
Other income and expenditure (Note v)	-14,116	1,451	-10,413	-23,078
Difference between the General Fund and Comprehensive Income and Expenditure Surplus or Deficit (Note iv)	-17,599	4,055	-3,746	-17,290

Adjustments to arrive at the Comprehensive Income and Expenditure Statement amounts in 2020/21	Adjustments for Capital Purposes (Note i) £'000	Net change for the Pensions Adjustments (Note ii) £'000	Other Adjustments (Note iii) £'000	Total Adjustments £'000
People	-1,002	69	0	-933
Place	564	89	15,431	16,084
Us	0	77	1,039	1,116
Council Housing (Housing Revenue Account)	-1,160	-3	21	-1,142
Investment Programme - REFCUS (Note vi)	25,961	0	0	25,961
Investment Programme - Grants/Other Income (Notes vii)	0	0	-21,488	-21,488
NET COST OF SERVICES	24,363	232	-4,997	19,598
Other income and expenditure (Note v)	22,885	1,314	12,922	37,121
Difference between the General Fund and Comprehensive Income and Expenditure Surplus or Deficit (Note iv)	47,248	1,546	7,925	56,719

Notes

i) Column includes depreciation and impairment and gains and losses and Revenue Expenditure Financed by Capital Under Statute (REFCUS) 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" 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.

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 Financed by Capital Under Statute (REFCUS).

vii) Row includes grants related to Investment Programme Projects.

2. AGENCY SERVICES

The Council administered on-street parking arrangements in Woking and Surrey Heath, bus lane enforcement, 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. The Council also acted as an agent for the government in the payment of mandatory COVID grants (£4.4m of business support grants in 2021/22, £19.5m in 2020/21 and £0.128m test and trace grants in 2021/22, £0.089m in 2020/21).

3. MEMBERS' ALLOWANCES

Members' Allowances of £281,335 are included in the Comprehensive Income and Expenditure Statement for 2021/22, compared with £274,550 for 2020/21. This includes telephone, broadband, Blackberry/iPad, travel and dependant care allowances. In addition, all Members qualify for Car Park Season tickets.

4. 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.

	Lease Payments	
	2020/21	2021/22
	£'000	£'000
Property	1,936	847
Vehicles	262	272
Other Equipment	13	0
	2,211	1,119

	Lease payments due:		
	Within 1 year	2-5 years	Over 5 years
	£'000	£'000	£'000
<u>2021/22</u>			
Property	561	809	2,221
Vehicles	218	116	0
Other Equipment	15	15	15
	794	940	2,236
<u>2020/21</u>			
Property	563	1,225	5,740
Vehicles	229	145	0
Other Equipment	5	0	0
	797	1,370	5,740

In addition the Council generates income from property leases, amounting to £21.5m in 2021/22 (£21.3m in 2020/21). The provision for irrecoverable debts has been decreased by £0.783m reflecting the improving financial environment experienced by some tenants following the Covid pandemic. Ongoing leases will generate future income of £18.5m in 2022/23, £54m in 2023/24 to 2026/27 and £141.3m from 2026/27 onwards.

5. RELATED PARTIES

The only material related party relationships involving Members or Chief Officers in 2021/22 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 2021/22, are detailed fully in note 6 and note 7 to the Balance Sheet.

The Council paid Thamesway Energy Limited (TEL) £5.2m for the provision of energy services to council owned properties, £353k to Thamesway Sustainable Communities Limited (TSL) for consultancy support, £286k for TDL for development of Waterman House and £89k for other developmental costs, 108K to TL. Income of £566k 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), £3.1 million, Thamesway Housing, £25.2 million, Thamesway Developments Ltd relating to the Sheerwater Regeneration, £1.4 million, Thamesway Energy Limited for Poole Road Energy Centre, £11.1 million, Thamesway Housing Limited for Sheerwater Purple Phase, £19.4 million, Victoria Square Woking Ltd, £124.3 million, to provide the companies with resources to advance their businesses.

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. 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.

6. EXTERNAL AUDIT FEES

	2020/21	2021/22
	£'000	£'000
Fees payable to the external auditors (as set by Public Sector Audit Appointments - currently under review):		
- in respect of statutory Code of Practice audits	42	42
- for the certification of grant claims and returns	10	15
	52	57

7. REVALUATION GAINS AND LOSSES

The net revaluation movement recognised in the Surplus/Deficit on the Provision of Services included a £1,757,257 and £12,458,947 revaluation loss on Other Land and Buildings\Assets Under Construction and Investment Property assets respectively in 2021/2022 (£658,589 and £47,574,044 in 2020/21). 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.

8. TERMINATION BENEFITS

<u>Cost band</u>	Number of Employees	
	2020/21	2021/22
£0 - £20,000	14	2
£20,001 - £40,000	1	2
£40,001 - £60,000	2	1
£60,001 - £80,000	2	0
£80,001 - £100,000	0	0
	19	5

The total cost of termination benefits charged to the authority's Comprehensive Income and Expenditure Statement in the current year is £127,748 (£345,893 in 2020/21). There were 1 compulsory redundancies in 2021/22 (8 in 2020/21).

9. REMUNERATION TO EMPLOYEES OVER £50,000

<u>Remuneration band</u>	Number of Employees	
	2020/21	2021/22
£50,000 to £54,999	11	15
£55,000 to £59,999	8	8
£60,000 to £64,999	8	6
£65,000 to £69,999	8	8
£70,000 to £74,999	4	4
£75,000 to £79,999	1	4
£80,000 to £84,999	2	1
£85,000 to £89,999	1	0
£90,000 to £94,999	3	2
£95,000 to £99,999	1	2
£100,000 to £104,999	0	1
£105,000 to £109,999	1	0
£130,000 to £134,999	1	0
£150,000 to £154,999	0	1
£200,000 to £204,999	1	0
	50	52

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 10.

10. PAYMENTS TO SENIOR MANAGERS

Annual remuneration paid to Senior Officers who are defined as Corporate Leadership Team members.

Individuals whose remuneration is £150,000 or more per year must be named whereas those earning below £150,000 must be identified by way of job title alone.

Post holder information (Post title)	--- 2020/21 ---		----- 2021/22 -----			
	Total Remuneration including pension contributions £	Annual Remuneration (Including fees & allowances) £	Compensation for loss of office £	Total Remuneration excluding pension contributions £	Pension contributions £	Total Remuneration including pension contributions £
Chief Executive (Note 1)	134,127	0	0	0	0	0
Chief Executive (Note 1 & 6)	0	154,928	0	154,928	25,967	180,895
Deputy Chief Executive (Note 2)	223,548	0	0	0	0	0
Director of Legal and Democratic Services (Note 3 & 6)	107,359	24,622	55,000	79,622	3,961	83,583
Director of Legal and Democratic Services (Note 3 & 6)	0	91,732	0	91,732	15,096	106,828
Finance Director (Chief Finance Officer) (Note 4)	89,970	76,805	0	76,805	12,770	89,575
Director of Housing (Note 6)	108,182	96,666	0	96,666	16,023	112,689
Director of Neighbourhood Services (Note 6)	106,915	99,300	0	99,300	15,386	114,686
Director of Planning (Note 5 & 6)	0	102,463	0	102,463	16,888	119,351

Note 1: The Chief Executive left on 31st March 2021, and new Chief Executive started on 1st April 2021.

Note 2: The Deputy Chief Executive's post became redundant on 31st March 2021.

Note 3: The Director of Legal and Democratic Services left on 30 June 2021 and the new Director of Legal and Democratic Services started on 1st July 2021 (previously employed elsewhere within the council).

Note 4: The Finance Director worked 30 hours per week. The annualised remuneration is equivalent to £94,726 in 2021/22.

Note 5: The Director of Planning started on 12th April 2021.

Note 6: Includes payments for a Borough Election, County Election, and Police and Crime Commissioner Election duties held during 2021/22.

11. EXPENDITURE AND INCOME ANALYSED BY NATURE

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

Expenditure/Income	2020/21 £'000	2021/22 £'000
Expenditure		
Employee benefit expenses	22,733	25,712
Other services expenses	66,318	61,483
Depreciation, amortisation, impairment	76,737	1,772
Interest payments	40,878	47,038
Payments to Housing Capital Receipts Pool	723	536
Total Expenditure	207,389	136,541
Income		
Fees, charges and other service income	105,423	91,130
Interest and investment income	28,024	32,455
Income from council tax and non-domestic rates	14,270	12,441
Government grants and contributions	11,946	5,304
Total Income	159,663	141,330
Surplus (-) or Deficit on the Provision of Services	47,726	-4,789

12. INVESTMENT PROGRAMME REVENUE PROJECTS

The investment programme projects line in net cost of services includes revenue expenditure and income relating to 'projects' kept separate from regular service budgets due to their 'ad hoc' nature. Some pandemic related expenditure, such as discretionary grants paid out and the corresponding government grants, are included here.

MOVEMENT IN RESERVES STATEMENT EXPLANATORY NOTES

1. NOTE OF ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATION

	2020/21	2021/22
	£'000	£'000
Surplus (-) or deficit for the year In the Comprehensive Income and Expenditure Statement	47,726	-4,789
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		
Depreciation and impairment of fixed assets	-3,882	-4,037
Revaluation of fixed assets	-43,026	1,147
Capital grants with no outstanding conditions	19,527	8,669
Write down of Revenue Expenditure Financed by Capital Under Statute	-25,964	4,950
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	19	19
Adjustments made for accumulated absences	-149	-103
Net charges made for retirement benefits in accordance with IAS19	-1,546	-4,055
	-55,021	6,590

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	6,814	7,413
Transfer to (-)/from Collection Fund adjustment account	-7,776	3,850
Transfer from Capital Receipts Reserve to meet payments to the Housing Capital Receipts Pool	-723	-536
	-1,685	10,727
Surplus (-) or deficit for year adjusted as required by regulation	-8,980	12,528

Movement on the General Fund Balance

	2020/21	2021/22
	£'000	£'000
Balance on General Fund brought forward	1,500	1,497
Surplus or deficit(-) for year adjusted as required by regulation (above)	8,980	-12,528
Transfer to (-) or from (+) Housing Revenue Account Balance	165	3
Transfer to (-) or from (+) Earmarked Reserves	-9,148	12,528
Increase/Decrease (-) in General Fund Balance for the Year	-3	3
Balance on General Fund carried forward	1,497	1,500

Movement in Earmarked Reserves

	2020/21	2021/22
	£'000	£'000
Balance brought forward	34,177	43,336
Transfer to (-) or from (+) General Fund Balance	9,148	-12,528
Transfer from Investment Strategy Reserve to General Fund Balance	0	0
Use of Earmarked Reserves to finance capital expenditure	11	29

Movement in year	9,159	-12,499
Balance carried forward	43,336	30,837

2. EARMARKED RESERVES

	Balance Apr-20	Transfers In	Tranfers out	Balance Apr-21	Transfers In	Tranfers out	Balance Mar-22
<u>General Fund</u>	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Investment Strategy Reserve	2,453	2,926	-2,971	2,408	7,953	-9,258	1,103
Community Fund	423	176	-54	545		-545	0
Wolsey Place Reserve	3,199	384		3,583		-3,583	0
Group Company Reserve	750			750		-750	0
New Homes Bonus Reserve	1,114	276	-145	1,245	80		1,325
Equipment Reserve	430	50		480	50		530
Business Rate Equalisation	4,025	7,120	-1,569	9,576		-6,380	3,196
PFI Reserve	2,739			2,739			2,739
Victoria Square Reserve	1,985	1,727	-363	3,349	1,230		4,579
MTFS Reserve	4,999	1,569	-2,700	3,868			3,868
Town Centre Management Agreement Reserve	470		-19	451	119		570
Off Street Parking Reserve	2,000			2,000			2,000
Syrian Refugee Reserve	535	672		1,207		-14	1,193
Homelessness Support Reserve	263		-81	182	1		183
HS2 Reserve	0	2,800		2,800			2,800
Dukes Court Reserve	3,273			3,273			3,273
Other Reserves	685	231	-233	683	213	-26	870
	29,343	17,931	-8,135	39,139	9,646	-20,556	28,229
<u>Housing Revenue Account</u>							
Housing Investment Programme	4,834		-633	4,201		-1,593	2,608
Total Earmarked Reserves	34,177	17,931	-8,768	43,340	9,646	-22,149	30,837

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

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. This fund has been appropriated to the Investment Strategy Reserve in 2021-22.

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. This reserve has been appropriated to the Investment Strategy Reserve in 2021-22.

2. EARMARKED RESERVES (cont.)

The Group Company Reserve was established during 2010/11 to provide a fund against the risks associated with the Thamesway group company business plans. This reserve has been appropriated to the Investment Strategy Reserve in 2021-22.

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

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

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 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.

The HS2 Reserve was established in 2020/21 to hold funds received by the council for the future maintenance of graves which have been relocated by the HS2 project.

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.

Other reserves includes the insurance fund which 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.

3. USABLE CAPITAL RECEIPTS

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

	2020/21	2021/22
	£'000	£'000
Balance brought forward at 1 April	57,946	63,935
<u>Movements in realised capital resources</u>		
Amounts receivable	9,258	41,640
Amounts transferred to DLUHC for Pooling	-723	-536
Amounts used to offset Sale of Council Houses Admin	-13	-26
Application of Receipts for Repayment of Debt	0	-24,642
Amounts applied to finance new capital expenditure	-2,533	-3,366
Total increase/decrease(-) in realised capital resources	5,989	13,070
Balance carried forward at 31 March	63,935	77,005
Group company loan repayments	58,426	69,410
Held for replacement housing	1,583	-1,777
Held for other investment programme use	3,926	9,372
	63,935	77,005

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.

	2020/21	2021/22
	£'000	£'000
Balance brought forward at 1 April	5	16
HRA Depreciation transferred from Capital Adjustment Account	3,739	3,861
Expenditure financed from the Major Repairs Reserve	-3,728	-3,266
Total movement on the Major Repairs Reserve	11	595
Balance carried forward at 31 March	16	611

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

5. CAPITAL GRANTS UNAPPLIED

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

	2020/21	2021/22
	£'000	£'000
Balance brought forward at 1 April	1,673	3,155
Usable capital grants receivable	2,717	5,062
Capital grant unspent with no conditions transferred from I&E	1,482	2,724
Grant income transferred to CIES	-2,717	-5,062
Use of prior year capital grants to finance capital expenditure	0	-1,198
Total movement on Capital Grants Unapplied	1,482	1,526
Balance carried forward at 31 March	3,155	4,681

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.

	2020/21	2021/22
	£'000	£'000
Balance brought forward at 1 April	104,242	115,081
<u>Movements in unrealised value of fixed assets</u>		
Gains/losses(-) on revaluation of fixed assets	12,121	2,701
Depreciation On Revalued Assets	-1,282	-1,402
Total net increase in unrealised capital resources	10,839	1,299
<u>Value of assets sold, disposed of or decommissioned</u>		
Amounts written off fixed asset balances for disposals	0	-1,300
Balance carried forward at 31 March	115,081	115,080

7. PENSIONS RESERVE

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

	2020/21	2021/22
	£'000	£'000
Balance brought forward at 1 April	-68,205	-82,217
Difference between amounts charged to the Comprehensive Income and Expenditure Statement and actual amounts payable in the year	-1,546	-4,055
Actuarial gains/(losses)	-12,466	19,040
Total movement on the pension reserve	-14,012	14,985
Balance carried forward at 31 March	-82,217	-67,232

For further information on the Pension Fund, see pensions explanatory notes.

8. CAPITAL ADJUSTMENT ACCOUNT

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

	2020/21	2021/22
	£'000	£'000
Balance brought forward at 1 April	60,496	7,020
<u>Amounts applied to Capital Investment:</u>		
Useable receipts applied	2,533	3,366
Amounts applied from Major Repairs Reserve	3,728	3,265
Total amounts applied to Capital Investment	6,261	6,631
<u>Amounts transferred to the General Fund balance</u>		
Write down Revenue Expenditure Funded by Capital Under Statute	-25,964	4,950
Grants and Contributions applied	18,045	5,945
Grant and Contributions applied from prior year grants	0	1,198
Provision for loan repayment (MRP)	6,814	7,413
Repayment of Debt Using Capital Receipt	0	24,642
Less: Depreciation	-3,882	-4,037
Plus: Depreciation on Revalued Assets	1,282	1,402
Total transfer to the General Fund	-3,705	41,513
Transfer HRA depreciation to Major Repairs	-3,739	-3,861
Write down of long term debtors	-5,739	-10,984
Disposal Of Fixed Assets	-3,528	-29,356

Investment Property Revaluations	-43,575	2,904
Revaluation increase\decreases recognised in the Provision of Services	549	-1,757
Total increase in amounts set aside to finance capital investment	-53,476	5,090
Balance carried forward at 31 March	7,020	12,110

9. FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

The Financial Instruments Adjustment Account was introduced in 2007/08. The Opening Balance represented the impact of restating LOBO's 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.

	2020/21	2021/22
	£'000	£'000
Balance brought forward at 1 April	-963	-944
<u>Movements in financial instruments</u>		
Overhanging premia written off to CIES	16	16
Being adjustment to CIES to reflect LOBO's Effective Interest Rate	3	3
Total adjustment in financial instruments	19	19
Balance carried forward at 31 March	-944	-925

10. 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).

	2020/21	2021/22
	£'000	£'000
Balance brought forward at 1 April	-155	-304
Movement in year - General Fund	-128	-89
Movement in year - HRA	-21	-14
Total adjustment	-149	-103
Balance carried forward at 31 March	-304	-407

11. COLLECTION FUND ADJUSTMENT ACCOUNT

Collection Fund Adjustment Account - The Comprehensive Income and Expenditure Statement shows the accrued amounts due to the Council from the Collection Fund in year. A reversal to the Collection Fund Adjustment Account is required to reflect the statutory position. The balance on this account is shown below.

	31 March	
	2021	2022
	£'000	£'000
Balance on Collection Fund Adjustment Account:		
- Council Tax	-81	224
- Business Rates	-8,496	-4,951
	-8,577	-4,727

Council's share of in-year Collection Fund surplus/deficit - The collection fund is accounted for on an agency basis. The balance below represents the Council's in year surplus or deficit on the Collection Fund.

	2020/21	2021/22
	£'000	£'000
Council's share of in-year Collection Fund surplus/deficit (-): Council Tax	-125	348

1. MOVEMENT OF NON-CURRENT ASSETS

The table below provides a reconciliation from the carrying amount of fixed assets at the beginning of the period to the carrying amount at the end of the period with details of all movements.

		Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Community Assets	Investment Properties	Assets Under Construction	Intangible Assets	Heritage Assets	TOTAL
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<u>Cost or Valuation</u>										
At 1 April 2021	[A]	305,796	172,927	26,175	15,105	329,716	67,232	956	918	918,825
Additions		10,737	220	1,662	0	16,875	34,142	13	0	63,649
Revaluation increases/decreases(-) recognised in the Revaluation Reserve		19,625	-18,190	0	0	0	1,300	0	-34	2,701
Revaluation increases/decreases(-) recognised in the Surplus/Deficit on the Provision of Services		0	-1,757	0	0	2,904	0	0	0	1,147
Derecognition - Disposals		-4,014	-25,942	0	0	-700	0	0	0	-30,656
Other Movement In Costs or Valuation		14,451	33,963	0	0	0	-48,415	0	0	-1
At 31 March 2022	[B]	346,595	161,221	27,837	15,105	348,795	54,259	969	884	955,665
<u>Accumulated Depreciation & Impairment</u>										
At 1 April 2021	[C]	-3,739	-5,321	-19,339	0	0	0	-797	0	-29,196
Depreciation Charge In Year		-3,861	-2,428	-1,556	0	0	0	-53	0	-7,898
At 31 March 2022	[D]	-7,600	-7,749	-20,895	0	0	0	-850	0	-37,094
Net Book Value										
At 31 March 2022	[B]-[D]	338,995	153,472	6,942	15,105	348,795	54,259	119	884	918,571
At 31 March 2021	[A]-[C]	302,057	167,606	6,836	15,105	329,716	67,232	159	918	889,629

1. MOVEMENT OF NON-CURRENT ASSETS (cont'd)

		Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Community Assets	Investment Properties	Assets Under Construction	Intangible Assets	Heritage Assets	TOTAL
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<u>Cost or Valuation</u>										
At 1 April 2020	[A]	285,421	166,833	24,139	15,105	361,715	31,969	917	918	887,017
Additions (b)		10,900	8,197	2,036		25,520	19,549	39		66,241
Revaluation increases/decreases(-) recognised in the Revaluation Reserve		11,808	313	0	0	0	0	0	0	12,121
Revaluation increases/decreases(-) recognised in the Surplus/Deficit on the Provision of Services		0	549	0	0	-43,575	0	0	0	-43,026
Derecognition - Disposals		-2,333	0	0	0	-1,195	0	0	0	-3,528
Other Movement In Costs or Valuation		0	-2,965	0	0	-12,749	15,714	0	0	0
At 31 March 2021	[B]	305,796	172,927	26,175	15,105	329,716	67,232	956	918	918,825
<u>Accumulated Depreciation & Impairment</u>										
At 1 April 2020	[C]	0	-2,913	-17,913	0	0	0	-749	0	-21,575
Depreciation Charge in year		-3,739	-2,408	-1,426	0	0	0	-48	0	-7,621
At 31 March 2021	[D]	-3,739	-5,321	-19,339	0	0	0	-797	0	-29,196
Net Book Value										
At 31 March 2021	[B]-[D]	302,057	167,606	6,836	15,105	329,716	67,232	159	918	889,629
At 31 March 2020	[A-C]	285,421	163,920	6,226	15,105	361,715	31,969	168	918	865,442

1. MOVEMENT OF FIXED ASSETS (cont.)

(a) Council Dwellings have been revalued as at 31 March 2022. 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.

(b) For further details of revaluation gain and losses charged to the Comprehensive Income and Expenditure and the Revaluation Reserve, see note 7 in the Comprehensive Income and Expenditure Statement Explanatory Notes and note 6 in the Movement in Reserves Statement Explanatory Notes, respectively.

2. HERITAGE ASSETS

The Council owns the following heritage assets:

	2020/21		2021/22	
	Number	£'000	Number	£'000
Fountains	1	100	1	100
Sculptures and Statues	9	303	8	303
Works of Art and Murals	11	222	11	223
Civic Regalia	4	169	5	168
Town Gates and War Memorial	2	124	2	90
	<u>27</u>	<u>918</u>	<u>27</u>	<u>884</u>

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 2022 or 31 March 2021.

3. CAPITAL EXPENDITURE AND FINANCING

	2020/21	2021/22
	£'000	£'000
<u>Capital Investment</u>		
Property, Plant and Equipment*	40,682	36,832
Investment Properties	25,520	16,875
Intangible Assets	39	13
Revenue Expenditure Financed by Capital Under Statute	25,964	-4,950
	<u>92,205</u>	<u>48,770</u>
Investments in Group Companies - Loans	256,286	184,539
Long Term (LT) Debtors	803	6,865
	<u>349,294</u>	<u>240,174</u>
<u>Sources of Finance</u>		
Capital Grant and Contributions	18,045	7,143
Borrowing - Capital Investment	67,898	44,924
Borrowing - Other*	257,090	181,476
Reserves	3,728	3,265
Capital Receipts	2,533	3,366
	<u>349,294</u>	<u>240,174</u>

* capital expenditure and associated financing for 2021/22 excludes £9.929m relating to the assets transferred to the Council in settlement of a long term debtor. This adjustment is necessary to avoid double counting of the original loan advanced which has previously been included as capital expenditure and financing.

Opening Capital Financing Requirement (excl LT loans repayments - capital receipts reflected in Usable Capital Receipts Reserve)	1,496,436	1,814,610
Increase in underlying need to borrow (unsupported by government financial assistance)	324,988	226,200 **

Repayment of Debt Using Capital Receipt	0	-24,642
Minimum revenue provision	<u>-6,814</u>	<u>-7,413</u>
Closing Capital Financing Requirement (excl LT loans repayments - capital receipts reflected in Usable Capital Receipts Reserve)	<u>1,814,610</u>	<u>2,008,755</u>

** includes £0.2m adjustment in order that the closing balance equals the 'underlying need to borrow' calculated from the capital balances on the balance sheet.

4. CAPITAL COMMITMENTS

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

	2021	2022
	£'000	£'000
Victoria Square	106,567	54,140
Acquisition of Car Park (Victoria Square)	58,000	58,000
Greenfield School	4,600	2,238
Victoria Arch and Other Town Centre Integrated Transport\Infrastructure Works	85,178	70,586
The Vyne Surgery Extension	717	0
Sheerwater Dentist Surgery	1,742	0
CCTV Infrastructure Upgrade & Control Room	1,218	739
Loan re Wolsey Place	1,850	0
Woking Shopping Food Court & Vertical Circulation	1,918	0
Car Park Management System	1,756	1,033
New Build Housing	6,416	3,121
	<u>269,962</u>	<u>189,857</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 2022.

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 annually 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 2021/22 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

5. FIXED ASSET VALUATION (cont.)

Assets acquired at 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 (excluding IT)	1,000

6. LONG TERM INVESTMENTS

	31 March 2021 £'000	31 March 2022 £'000
<u>Shareholdings in Companies</u>		
Thamesway Limited	31,193	31,193
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
Kingfield Community Sports Centre	500	500
	<u>37,808</u>	<u>37,808</u>

7. LONG-TERM DEBTORS

The Council has granted the following loans to its Group Companies and other organisations.

	31 March 2021 £'000	31 March 2022 £'000
Thamesway Energy Limited	12,607	9,896
Thamesway Central Milton Keynes Limited	33,391	35,223
Thamesway Housing Limited	244,359	269,427
Thamesway Housing (Sheerwater)	70,732	90,168
Thamesway Solar Limited	993	817
Thamesway Developments (THL)	47,250	47,250
Thamesway Developments (S/W Leisure)	9,800	10,979
Thamesway Developments (Sheerwater)	5,000	5,000
Thamesway Developments (TEL)	28,735	38,845
Rutland Woking Limited	1,632	1,632
Victoria Square Woking Limited	527,043	645,860
Mortgages	1,869	1,793
Peacocks	6,350	6,350
Woking Hospice	9,706	0
Greenfield School	6,400	11,262
Byfleet Scouts	100	100
Woking Football Club	75	75
Freedom Leisure	1,705	1,640
Kingfield Community Sports Loan	1,500	1,500
Busyn Ltd\Gordon Ramsey	0	1,722
Other Long Term Debtors	26	26
Repayments due within 1 year	-54,581	-39,554

954,692

1,140,011

In addition to loans to Group Companies, Long Term Debtors also consists of:

- i) other deferred debtors in respect of car purchase and other loans to Council employees, and a loan agreement with Woking Hockey Club.

8. DEBTORS AND PREPAYMENTS

	31 March 2021 £'000	31 March 2022 £'000
<u>Government</u>		
Other Central Government Bodies	11,834	2,103
Other Local Authorities	2,640	411
<u>Non Government</u>		
Local Tax Payers	1,830	1,918
Housing Rents, Rates & Water	1,923	2,274
Rechargeable Works	139	130
Sundry Debtors	26,618	34,544
Prepayments	2,026	1,565
Accrued Interest on Long Term Debtors	2,934	2,836
Long term Debtors amounts due within 1 year	54,581	39,554
Bad Debt Provision – see below	-7,919	-7,410
	<u>96,606</u>	<u>77,925</u>

The Bad Debt Provision was made up of:

	31 March 2021 £'000	31 March 2022 £'000
Housing Rents	751	908
Other Sundry Debtors	3,587	3,293
Managing Agents	762	338
Benefits	1,257	1,219
Housing Deposits	478	495
Council Tax	219	255
Business Rates	860	897
Rechargeable Works	5	5
	<u>7,919</u>	<u>7,410</u>

9. CASH AND CASH EQUIVALENTS

	31 March 2021 £'000	31 March 2022 £'000
Cash	5,571	3,722
Deutsche Bank Advisors	0	2,000
Federated Prime Rate Liquidity Fund	9,000	30,006
	<u>14,571</u>	<u>35,728</u>

10. SHORT TERM INVESTMENTS AND BORROWING

	31 March 2021 £'000	31 March 2022 £'000
<u>Short term borrowing</u>		
Greater London Authority	10,018	0
Shropshire County Council	5,028	0
Derbyshire Cc General	30,116	5,002
West Yorkshire Combined	15,028	0
Portsmouth City Council	15,029	0
Middlesbrough Council	10,014	10,010
Wokingham Borough Council	10,013	0
Crawley Borough Council	5,007	0
Hampshire County Council	5,007	10,011
Gateshead Council	5,007	0
Somerset County Council	7,010	10,014
Cumbria County Council	10,011	0
London Borough Of Havering	5,006	0
Spelthorne Borough Council	5,006	0
Bolton Metropolitan B C	10,011	0
Derbyshire Pension Fund	30,003	0
St. Helens M.B.C.	10,001	0
Bath And North East Somerset Council	0	5,006
Oxfordshire County Council	0	5,007
Cambridgeshire & Peterborough Combined Auth.	0	15,019
Barnsley Metropolitan Borough Council	0	5,005
North Northamptonshire Council	0	10,011
Sheffield City Council	0	10,009
Loans reclassified from long term as due within one year	21,031	15,963
	<u>208,345</u>	<u>101,057</u>
Accrued interest on long term borrowing	8,362	9,644
Amounts held on behalf of Mayors Appeal & Friends of Woking Palace	0	9
	<u><u>216,707</u></u>	<u><u>110,710</u></u>

11. CREDITORS AND RECEIPTS IN ADVANCE

	31 March 2021 £'000	31 March 2022 £'000
<u>Government</u>		
Central Government Bodies	20,055	23,351
Other Local Authorities	943	2,099
<u>Non Government</u>		
Local Tax Payers	873	1,143
Housing Rents	561	542
Mortgagees	-3	-8
Rechargeable Works	82	82
Sundry Creditors	12,577	15,268
	<u><u>35,088</u></u>	<u><u>42,477</u></u>

12. 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	31 March	31 March
			2021	2022
			£'000	£'000
- Danske Bank	LOBO (next option at 05/04/2023)*	05/04/2055	5,307	5,305
- Dexia PFB	LOBO (next option at 08/04/2023)*	06/10/2076	5,343	5,342
- Dexia PFB	LOBO (next option at 22/11/2026)*	22/11/2076	5,070	5,070
Accrued Interest			-301	-301
			15,419	15,416
PWLB:				
	Fixed rate loan - Annuity		1,016,354	1,349,598
	Fixed rate loan - Maturity		446,062	420,915
Accrued Interest (shown within short term borrowing)			-7,848	-9,169
Loan reclassified from long term to short term as due within one year			-11,531	-15,963
			1,443,037	1,745,381
LB of Hackney	Fixed rate loan	19/11/2021	3,518	0
Cornwall Council	Fixed rate loan	04/01/2022	6,019	0
Barclays Bank**	Fixed rate loan	31/07/2076	5,040	5,039
Barclays Bank**	Fixed rate loan	31/07/2076	5,040	5,039
Barclays Bank**	Fixed rate loan	05/04/2077	5,096	5,096
Accrued Interest (shown within short term borrowing)			-213	-174
Loan reclassified from long term to short term as due within one year			-9,500	0
			15,000	15,000
			1,473,456	1,775,797

*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.

13. 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.

	31 March	31 March
	2021	2022
	£'000	£'000
Balance brought forward at 1 April	13,624	16,025
Capital grants receivable	19,459	5,079
Use of grant to finance capital expenditure	-17,035	-3,607
Use of grant to finance revenue projects	-23	-32
Total movement on Capital Grants	2,401	1,440
Balance carried forward at 31 March	16,025	17,465

Of the total grants received in advance, £1,964,957 relates to contributions from developers (£1,238,819 in 2020/21).

For details of government grants received in the year see note 2 to the Cash Flow Statement.

14. 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 11. The remaining balances relating to Surrey County Council and Surrey Police and Crime Commissioner are included in the relevant creditor/debtor balances in the balance sheet. For further details see notes to the Collection Fund.

15. PROVISIONS

The Council is the subject of claims resulting from charging for land charge personal searches and has made a provision in respect of these potential future liabilities. A provision has also been made in respect of the Council's share of business rates valuation appeals over which there is uncertainty as they are determined by the Valuation Office (not by the Council). The provisions are shown in the table below.

	Long Term Land Charges £000	Long Term Business Rate Appeals £000	Long Term Total £000
Balance b/f	23	1,486	1,509
Increase/(Decr) in Provision	0	1,204	1,204
Amounts used	0	-94	-94
Balance c/f	23	2,596	2,619

16. CONTINGENT LIABILITIES

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 2022. The review identified that the maximum cost for Woking was £544,490 (£544,490 at 31 March 2021).

17. 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.

18. 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.

Section 114 Notice

On 7 June 2023, the then Section 151 Officer issued the Council with a Section 114 Notice. The notice was required because the Council's expenditure was likely to exceed the financial resources available, and therefore it could no longer balance its budget for the remainder of the financial year and subsequent years.

The serious financial shortfall was a direct result of the Council's historic investment strategy that had resulted in unaffordable borrowing, inadequate steps to repay that borrowing, and high values of irrecoverable loans. The notice stated that against available core funding of £16m in the 2023/24 financial year (£19m in 2024/25), the Council faced a deficit of £1.2bn, which includes two key elements: the cost of impaired loans to its own companies (£614m) which is a balance sheet adjustment and, secondly, the need to make backdated provision in its revenue account for the repayment of debt and write-off of some loans.

The overall deficit was re-assessed in March 2024 as part of setting the 2024/25 budget as up to £785m on the revenue account, making the total impact £1.4billion including the balance sheet impairment (that will be re-assessed as part of the 2023/24 accounts). The £785m was covered by the support from Government via a Capitalisation Directive, which allows the Council's deficit to be shifted to the balance sheet via legitimate borrowing.

Covid Pandemic

The presence of the Covid-19 pandemic has caused significant strain on the economy and stringent measures to be taken to subdue the outbreak by policy-makers. We are unable to forecast the financial consequence of this pandemic, as it cannot be quantified at this time.

19. FINANCIAL INSTRUMENT BALANCES

	Long-term		Current	
	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000	31 March 2022 £'000
Borrowings				
<u>Amortised Cost</u>				
Borrowing	1,528,661	1,825,460	187,628	85,094
Creditors	0	0	13,600	14,850
	1,528,661	1,825,460	201,228	99,944
Investments				
<u>Amortised Cost</u>				
Cash and Cash Equivalents	0	0	14,571	35,728
Debtors	0	0	28,344	35,174
	0	0	42,915	70,902

20. FINANCIAL INSTRUMENTS GAINS/LOSSES

2021/22

	Financial Liabilities		Financial Assets		Total
	Amortised cost £'000	Fair value through I&E/OCI £'000	Amortised cost £'000	Fair value through I&E/OCI £'000	
Interest expense	-47,038	0	0	0	-47,038
Total Expense on the Provision of Services	-47,038	0	0	0	-47,038
Interest income	0	0	13,750	0	13,750
Total Income in Surplus on the Provision of Services	0	0	13,750	0	13,750
Net gain/(loss) for the year	-47,038	0	13,750	0	-33,288

2020/21

	Financial Liabilities		Financial Assets		Total
	Amortised cost £'000	Fair value through I&E/OCI £'000	Amortised cost £'000	Fair value through I&E/OCI £'000	
Interest expense	-40,878	0	0	0	-40,878
Total Expense on the Provision of Services	-40,878	0	0	0	-40,878
Interest income	0	0	10,953	0	10,953
Total Income in Surplus on the Provision of Services	0	0	10,953	0	10,953
Net gain/(loss) for the year	-40,878	0	10,953	0	-29,925

21. 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 at 31 March 2022.
- 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.

	31 March 2021		31 March 2022	
	Carrying amount £'000	Fair Value £'000	Carrying amount £'000	Fair Value £'000
PWLB - maturity	446,019	598,015	420,915	521,628
PWLB - annuity	1,016,287	1,063,792	1,349,603	1,272,047
LOBOs	15,719	26,067	15,717	23,476
Market Loans	24,790	37,288	15,174	25,087
LEP Loan				
Short term borrowing	187,314	187,314	85,094	85,094
Finance Lease	25,667	31,928	24,472	31,928
Creditors	13,600	13,600	14,850	14,850
Financial Liabilities	1,729,396	1,958,004	1,925,825	1,974,110

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.

	31 March 2021		31 March 2022	
	Carrying amount £'000	Fair Value £'000	Carrying amount £'000	Fair Value £'000
Cash and cash equivalents	14,571	14,571	35,728	35,728
Debtors	28,344	28,344	35,174	35,174
Financial Assets	42,915	42,915	70,902	70,902

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.

22. 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 2022 £'000	Historical experience of default %	Historical experience adjusted for market conditions as at 31 March 2022 %	Estimated maximum exposure to default and uncollectability £'000
Deposits with banks and other institutions	35,728	-	-	-
Customers	41,887	6.63%	6.63%	2,777
	<u>77,615</u>			<u>2,777</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. £14.406m of the £34.544m 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 2021 £'000	31 March 2022 £'000
Less than 3 months	8,112	8,372
3 to 6 months	626	2,617
6 months to 1 year	1,582	624
More than 1 year	1,267	2,793
	<u>11,587</u>	<u>14,406</u>

Liquidity Risk

During 2023/24 the Council identified that it had a serious shortfall as a result of its historic investment strategy that resulted in unaffordable borrowing and high values of unaffordable loans. The impairment of the Council's investments will be accounted for in 2023/24 as part of the Council's capitalisation direction.

22. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont.)

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

	31 March 2021 £'000	31 March 2022 £'000
Public Works Loans Board	1,454,568	1,761,344
Market debt/LOBOs	39,500	30,000
Temporary borrowing	187,314	85,095
	<u>1,681,382</u>	<u>1,876,439</u>
Less than 1 year	221,814	85,094
Between 1 and 2 years	0	0
Between 2 and 5 years	17,000	20,862
Between 5 and 10 years	9,023	10,000
More than 10 years	1,433,545	1,760,483
	<u>1,681,382</u>	<u>1,876,439</u>

In the more than 10 years category there are no 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:

	2021 £'000	2022 £'000
Increase in interest payable on variable rate borrowings	0	0
Increase in interest receivable on variable rate investments	16	16
Net increased income in Comprehensive Income and Expenditure Statement	<u>16</u>	<u>16</u>

Share of overall interest cost debited to the HRA	<u>0</u>	<u>0</u>
Decrease in fair value of fixed rate borrowing liabilities	302,434	312,462

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.

23. 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 in note 21. 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:

	2020/21	2021/22
	£'000	£'000
Cost		
As at 1 April	30,814	30,814
As at 31 March	<u>30,814</u>	<u>30,814</u>
Depreciation		
As at 1 April	2,154	2,764
Charged in year	610	610
As at 31 March	<u>2,764</u>	<u>3,374</u>
Net Book Value		
As at 31 March	<u>28,050</u>	<u>27,440</u>
As at 1 April	<u>28,660</u>	<u>28,050</u>

b. Liabilities arising from PFI and similar contracts:

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

	2020/21	2021/22
	£'000	£'000
As at 1 April	26,761	25,667
Finance lease liability redemption payments during the year	-1,094	-1,195
As at 31 March	<u>25,667</u>	<u>24,472</u>

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

The Council was committed at 31 March 2022 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	1,241	1,803	45	3,089
Due within 2-5 years	5,733	6,241	381	12,355
Due within 6-10 years	8,229	5,207	2,007	15,443
Due within 11-15 years	7,023	2,194	6,226	15,443
Due within 16-20 years	2,246	199	2,577	5,022
	<u>24,472</u>	<u>15,644</u>	<u>11,236</u>	<u>51,352</u>

CASH FLOW STATEMENT EXPLANATORY NOTES

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

	2020/21	2021/22
	£'000	£'000
Net surplus/(deficit) on the provision of services	-47,726	4,789
<u>Less</u>		
Depreciation, impairment and amortisation		
- General Fund	3,882	4,037
- HRA	3,739	3,861
Revaluation gain/loss on Investment Property	43,575	-2,904
Reversal of NCA historic losses with subsequent gains	-549	1,757
Capital items charged/(credited) to General Fund Balance	5,199	-14,084
Net increase/(decrease) in other current assets and liabilities	2,254	7,306
Net increase/(decrease) in Provisions (Long Term Liabilities)	-1,271	1,110
Net charges for retirement benefits in accordance with IAS19	1,546	4,055
Other non-cash items	-78	1,575
Net cash flow from Operating Activities	<u>10,571</u>	<u>11,502</u>

2. ANALYSIS OF GOVERNMENT GRANTS

	2020/21	2021/22
	£'000	£'000
Housing Improvements	1,337	1,338
Syrian Refugee Families	1,108	400
Homelessness Grants	950	375
Environmental	3	10
Havering Farm (Rural Grants)	9	8
Women's Support Centre	0	109
Social Prescribing	0	405
Arts Development	0	1
Countryside	20	10
Mortgage Rescue	0	0
	<u>3,427</u>	<u>2,656</u>

3. 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 2021/22 or 2020/21. Interest paid and received are shown below.

	2020/21	2021/22
	£'000	£'000
Interest paid	39,111	44,876
Interest received	27,591	32,366

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

	2020/21	2021/22
	£'000	£'000
Income		
Dwelling Rents & Service Charges	-17,504	-17,767
Charges for services and facilities	-454	-478
Contribution towards expenditure	-104	-81
TOTAL INCOME	-18,062	-18,326
Expenditure		
Repairs and Maintenance	2,147	2,628
Supervision and Management	6,256	7,256
Rents, Rates, Taxes and other Charges	17	20
Depreciation and impairments of fixed assets	3,739	3,861
TOTAL EXPENDITURE	12,159	13,765
NET COST OF HRA SERVICES INCLUDED IN THE WHOLE AUTHORITY COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT	-5,903	-4,561
Debt Management Costs	70	37
Interest payable and similar charges	5,153	5,391
Amortisation of premiums and discounts	16	0
Interest and investment income	0	-2
Pensions interest cost and expected return on pensions assets (note 7)	220	234
SURPLUS (-) OR DEFICIT FOR THE YEAR ON HRA SERVICES	-444	1,099

STATEMENT OF MOVEMENT IN THE HOUSING REVENUE ACCOUNT BALANCE

	2020/21 £'000	2021/22 £'000
Surplus (-) or deficit for the year on the HRA income and expenditure statement	-444	1,099
Adjustments between the accounting basis and the funding basis required under regulations (see analysis below)	1,242	489
Net increase (-) or decrease before transfers to/from reserves	798	1,588
Transfer to or from (-) HIP reserve	-633	-1,590
Increase (-) or decrease in Housing Revenue Account Balance for the Year	165	-2
Balance on Housing Revenue Account brought forward	500	335
Balance on Housing Revenue Account carried forward	335	337

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

	2020/21 £'000	2021/22 £'000
Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year		
Capital grants with no outstanding conditions	1,480	1,070
Adjustments made for accumulated absences	-21	-14
Net charges made for retirement benefits in accordance with IAS19	-217	-567
	1,242	489

The Housing Revenue Account (HRA) Income and Expenditure Account shows the Council's activities during the financial year 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 3,370 dwellings (including Shared Ownership properties) at 31 March 2022, as compared with 3,338 at 31 March 2021, made up of:

	2021	2022
	Stock Numbers	
Houses	1,666	1,656
Flats (including maisonettes)	1,420	1,461
Bungalows	252	253
TOTAL	3,338	3,370

2. STOCK VALUES

	Value @ 31.3.21 £'000	Movement £'000	Value @ 31.3.22 £'000
<u>Operational Assets</u>			
Housing Property	300,861	37,648	338,509
Leasehold Property	1,197	-710	487
	302,058	36,938	338,996
<u>Non Operational Assets</u>			
Development Land	6,296	-3,935	2,361
	6,296	-3,935	2,361
TOTAL	308,354	33,003	341,357

The vacant possession value of dwellings within the authority's Housing Revenue Account (HRA) as at 1 April 2022 was £1,005,641,850 (£893,749,608 at 1 April 2021).

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.

Depreciation charged to the HRA in 2021/22:

	2020/21 £'000	2021/22 £'000
<u>Depreciation</u>		
Dwellings	3,739	3,861
TOTAL	3,739	3,861

3. CAPITAL EXPENDITURE AND FINANCING

The total capital expenditure on property within the authority's HRA during 2021/22 was £15.489m (2020/21, £20.397m)

	2020/21	2021/22
	£'000	£'000
<u>Capital Expenditure</u>		
Houses	20,397	15,489
TOTAL	20,397	15,489
<u>Source of Funding</u>	£'000	£'000
Major Repairs Reserve	3,728	3,265
Borrowing	13,422	8,612
Capital Receipts	1,767	2,542
Section 106	0	350
Grant	1,480	720
TOTAL	20,397	15,489

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

	2020/21	2021/22
	£'000	£'000
Houses	2,031	3,897

4. MAJOR REPAIRS RESERVE

Local Authorities are required to establish and maintain a Major Repairs Reserve. The main credit to the reserve is an amount equal to HRA depreciation.

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

	2020/21	2021/22
	£'000	£'000
Balance @ 1 April	5	16
Expenditure financed from Major Repairs Reserve	-3,728	-3,266
Depreciation transferred from Capital Adjustment Account	3,739	3,861
Balance @ 31 March	16	611

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:-

	2021	2022
	£	£
Current Tenants	797,165	778,675
Former Tenants	384,640	528,289
TOTAL	1,181,805	1,306,964
Arrears as a % of Gross Rent Income	6.58%	7.16%

A provision of £907,678 has been made in respect of uncollectable debts (£750,688 in 2020/21).

6. PENSIONS

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:

	2020/21	2021/22
	£'000	£'000
Net Cost of Services:		
▪ Service cost	603	949
▪ Past service costs (including curtailments)	1	0
	<u>604</u>	<u>949</u>
Net Operating Expenditure:		
▪ Interest cost	527	578
▪ Expected return on assets in the scheme	-307	-344
	<u>220</u>	<u>234</u>
Net liability on HRA I&E	-824	-1,182
▪ Employers' contributions payable to scheme	564	573
▪ Contribution in respect of unfunded benefits	43	42
▪ Movement on pensions reserve	-217	-567
TOTAL	607	616
Actual amounts charged against rents for pensions in the year:		
Employers' contributions payable to scheme	564	573
Contributions in respect of unfunded benefits	43	42
TOTAL	607	615

The employers' contribution payable to the scheme is shown within Supervision and Management. The adjustment of £333,000 represents the difference between the cash contributions payable to the scheme (£616,000) and service costs (£949,000).

**COLLECTION FUND
INCOME AND EXPENDITURE STATEMENT**

2020/21				2021/22		
Council Tax	Business Rates	Total		Council Tax	Business Rates	Total
£'000	£'000	£'000		£'000	£'000	£'000
83,741	0	83,741	INCOME			
0	27,794	27,794	Council Tax Receivable (Note 1)	86,688	0	86,688
83,741	27,794	111,535	Business Rates Receivable	0	39,820	39,820
			TOTAL INCOME	86,688	39,820	126,508
			EXPENDITURE			
			<u>Apportionment of Previous Year Surplus/(deficit)</u>			
0	451	451	Central Government	0	-9,757	-9,757
29	503	532	Woking Borough Council	-24	-7,805	-7,829
177	421	598	Surrey County Council	-149	-1,951	-2,100
32	0	32	Surrey Police and Crime Commissioner	-27	0	-27
238	1,375	1,613		-200	-19,513	-19,713
			<u>Precepts, Demands and Shares</u>			
0	23,913	23,913	Central Government	0	23,654	23,654
10,236	19,131	29,367	Woking Borough Council	10,104	18,923	29,027
62,846	4,783	67,629	Surrey County Council	62,495	4,731	67,226
11,250	0	11,250	Surrey Police and Crime Commissioner	11,521	0	11,521
84,332	47,827	132,159		84,120	47,308	131,428
			<u>Charges to Collection Fund</u>			
-21	-14	-35	Write Offs / Write Backs (-) of uncollectable amounts	0	123	123
445	828	1,273	Increase / Decrease (-) in Bad Debt Provision	188	93	281
0	-3,176	-3,176	Increase / Decrease (-) in Provision for Appeals	0	2,776	2,776
0	130	130	Cost of Collection	0	169	169
424	-2,232	-1,808		188	3,161	3,349
84,994	46,970	131,964	TOTAL EXPENDITURE	84,108	30,956	115,064
-1,253	-19,176	-20,429	SURPLUS / DEFICIT (-) ARISING DURING THE YEAR	2,580	8,864	11,444
600	-2,063	-1,463	SURPLUS / DEFICIT (-) B/FWD AT 1ST APRIL	-653	-21,239	-21,892
-653	-21,239	-21,892	SURPLUS / DEFICIT (-) C/FWD AT 31ST MARCH	1,927	-12,375	-10,448

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 2021/22 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	269.00	6	179.33	374
Band B	2,850.00	7	2,216.67	4,622
Band C	9,569.00	8	8,505.78	17,735
Band D	11,294.50	9	11,294.50	23,550
Band E	5,683.75	11	6,946.81	14,485
Band F	3,917.00	13	5,657.89	11,797
Band G	4,821.25	15	8,035.42	16,755
Band H	717.75	18	1,435.50	2,993
			44,271.90	92,311
Less allowance for losses on collection, appeals and Council Tax Support			-3,928.90	-8,192
Council Tax Base and Expected yield			40,343.00	84,119

The actual yield for the year was £86.688m; the difference of £2.566m 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 £86.688m is reflected in the Income and Expenditure Account as follows:

	2020/21 £'000	2021/22 £'000
Council tax income	83,741	86,688
Less write offs	21	0
Yield	83,762	86,688

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 2021/22 the Band D equivalent was 44,271.90. 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 40,343.00 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 23 December 2020 was £113.5 million and the multipliers for the year were:

Non-domestic rating multiplier	0.512	pence
Small business non-domestic rating multiplier	0.499	pence

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 sets 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 2021-22, Woking Borough Council paid a tariff of £16,416,777 to the government. In 2020/21 Woking was part of a Surrey pool with the tariff payment of £16,416,778 being paid to the pool lead authority, Surrey County Council, (to offset against the business rates collected). The tariff is contained within the non domestic rates income and expenditure line in the Comprehensive Income and Expenditure Statement (if the council is not part of a pool).

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 (or the pool lead if the council is part of a pool). 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 levy of nil was due to the government in respect of 2021/22 and £1,218,296 was due to the pool in 2020/21. The levy for 2021/22 and 2020/21 is contained within the non domestic rates income and expenditure line in the relevant comprehensive income and expenditure statement. This line also contains £7,805,338 which is the Council's share of prior year deficits (£502,694 was included here in 2020/21 in respect of prior year surpluses, the remainder of which will be settled to the account in future years) and a pooling benefit of £700,000 in 2020/21.

4. DISTRIBUTION OF THE COLLECTION FUND BALANCE

The Collection Fund Balance at 31 March 2022 was -£10,448,000 (-£21,892,154 at 31 March 2021). 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. In 2021/22, the Business Rates Deficit is split based on nationally determined percentages between Central Government (50%), Woking Borough Council (40%) and Surrey County Council (10%).

	2020/21 Surplus/ Deficit (-) £	2021/22 Surplus/ Deficit (-) £	Total @ 31 March 2022 £
<u>Council Tax</u>			
Woking Borough Council	-124,533	348,290	223,757
Surrey County Council	-758,633	2,196,964	1,438,331
Surrey Police and Crime Commissioner	-132,499	397,474	264,975
	-1,015,665	2,942,728	1,927,063
<u>Business Rates</u>			
Central Government			-6,187,337
Woking Borough Council			-4,949,866
Surrey County Council			-1,237,465
			-12,374,668
Collection Fund Balance			-10,447,605

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.

Further information on Pensions is set out in the Statement of Accounting Policies note 13.

Additional information relating to pensions can also be found in the Surrey County Council Pension Fund Annual Report which is available on request from Surrey County Council, PO Box 465, Reigate, RH2 2HA.

Changes in the Fair Value of Plan Assets, Defined Benefit Obligation and Net Liability for year end 31 March 2022

Period ended 31 March 2022

	Assets	Obl- gations	Net (liability) / asset
	£'000	£'000	£'000
Fair value of plan assets	123,482	0	123,482
Present value of funded obligations	0	200,797	-200,797
Present value of unfunded obligations	0	4,902	-4,902
Opening position as at 1 April 2021	123,482	205,699	-82,217
Service Cost			
Current service cost*	0	6,775	-6,775
Past service cost (including curtailments)	0	1	-1
Total Service Cost	0	6,776	-6,776
Net interest			
Interest income on plan assets	2,460	0	2,460
Interest cost on defined benefit obligation	0	4,127	-4,127
Total net interest	2,460	4,127	-1,667
Total defined benefit cost recognised in Profit or (Loss)	2,460	10,903	-8,443
Cashflows			
Participants' contributions	933	933	0
Employer contributions	4,091	0	4,091
Benefits paid	-5,777	-5,777	0
Unfunded benefits paid	-298	-298	0
Contributions in respect of unfunded benefits paid	298	0	298
Expected closing position	125,189	211,460	-86,271
Remeasurements			
Changes in financial assumptions	0	-12,573	12,573
Changes in demographic assumptions	0	-1,003	1,003
Other experience	0	334	-334
Return on assets excluding amounts included in net interest	5,797	0	5,797
Total remeasurements recognised in Other Comprehensive Income	5,797	-13,242	19,039
Fair value of plan assets	130,986	0	130,986
Present value of funded obligations	0	193,673	-193,673
Present value of unfunded obligations**	0	4,545	-4,545
Closing position as at 31 March 2022	130,986	198,218	-67,232

Please note the Employer's fair value of plan assets is approximately 2% of the Fund's total. It is estimated that the present value of funded obligations comprises of approximately £79,144,000, £37,708,000 and £76,821,000 in respect of employee members, deferred pensioners and pensioners respectively as at 31 March 2022.

* The current service cost includes an allowance for administration expenses of 0.3% of payroll.

**The unfunded obligations comprise of £4,545,000 in respect of LPGS unfunded pensions.

Changes in the Fair Value of Plan Assets, Defined Benefit Obligation and Net Liability for year end 31 March 2021

Period ended 31 March 2021

	Assets	Obl- gations	Net (liability) / asset
	£'000	£'000	£'000
Fair Value of plan assets	95,646	0	95,646
Present value of obligations	0	163,851	-163,851
Opening position as at 1 April 2020	95,646	163,851	-68,205
<u>Service Cost</u>			
Current service cost*	0	4,305	-4,305
Past service cost (including curtailments)	0	4	-4
Total Service Cost	0	4,309	-4,309
<u>Net interest</u>			
Interest income on plan assets	2,193	0	2,193
Interest cost on defined benefit obligation	0	3,761	-3,761
Total net interest	2,193	3,761	-1,568
Total defined benefit cost recognised in Profit or (Loss)	2,193	8,070	-5,877
<u>Cashflows</u>			
Participants' contributions	900	900	0
Employer contributions	4,027	0	4,027
Benefits paid	-5,373	-5,373	0
Unfunded benefits paid	-304	-304	0
Contributions in respect of unfunded benefits paid	304	0	304
Expected closing position	97,393	167,144	-69,751
<u>Remeasurements</u>			
Changes in financial assumptions	0	38,025	-38,025
Changes in demographic assumptions	0	2,104	-2,104
Other experience	0	-1,574	1,574
Return on assets excluding amounts included in net interest	26,089	0	26,089
Total remeasurements recognised in Other Comprehensive Income	26,089	38,555	-12,466
Fair value of plan assets	123,482	0	123,482
Present value of funded obligations	0	200,797	-200,797
Present value of unfunded obligations	0	4,902	-4,902
Closing position as at 31 March 2021	123,482	205,699	-82,217

* The current service cost allows an allowance for administration expenses of 0.3% of payroll.

Fair value of plan assets

The below asset values are at bid value as required under IAS19.

Note: Where an IAS19 asset split was not available at the year end, the nearest IAS19 asset split prior to this date has been used.

Assets

Asset category	Period Ended 31 March 2021				Period Ended 31 March 2022			
	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	2,674.7	-	2,674.7	2%	2,291.5	-	2,291.5	2%
Manufacturing	1,347.0	-	1,347.0	1%	1,827.1	-	1,827.1	1%
Energy and Utilities	260.1	-	260.1	0%	406.2	-	406.2	0%
Financial Institutions	1,609.1	-	1,609.1	1%	1,520.1	-	1,520.1	1%
Health and Care	1,131.6	-	1,131.6	1%	1,564.8	-	1,564.8	1%
Information Technology	3,737.8	-	3,737.8	3%	4,098.8	-	4,098.8	3%
Other	-	-	-	0%	-	-	0.0	0%
Debt Securities:								
UK Government	-	5,723.1	5,723.1	5%	-	4,359.7	4,359.7	3%
Private Equity:								
All	-	8,470.7	8,470.7	7%	-	12,872.5	12,872.5	10%
Real Estate:								
UK Property	1,767.5	2,709.3	4,476.8	4%	1,698.1	3,528.1	5,226.2	4%
Overseas Property	-	2,181.0	2,181.0	2%	-	2,791.9	2,791.9	2%
Invest Funds and Unit Trusts:								
Equities	73,109.4	-	73,109.4	59%	76,914.8	-	76,914.8	59%
Bonds	15,573.2	-	15,573.2	13%	14,346.4	-	14,346.4	11%
Derivatives:								
Foreign Exchange	377.0	-	377.0	0%	-530.4	-	-530.4	0%
Cash and Cash Equivalents:								
All	2,810.5	-	2,810.5	2%	3,296.4	-	3,296.4	3%
Totals	104,397.9	19,084.1	123,482.0	100%	107,433.8	23,552.2	130,986.0	100%

The breakdown of assets in monetary terms in the table have been shown to the nearest £100 and for presentation purposes the sum of the values rounded to the nearest £1,000. Please note that there may still be a rounding difference between the total and the sum of the breakdown values but this difference will be small. For the avoidance of doubt this does not impact any of the other figures in the report.

Investment returns

The return on the Fund in market value terms for the period to 31 March 2022 is based on actual Fund returns as provided by Surrey County Council. Details are given below:

Actual Returns from 1 April 2021 to 31 March 2022 (29.6% in 2020/21)	6.7%
Total Returns from 1 April 2021 to 31 March 2022 (29.6% in 2020/21)	6.7%

The liabilities show the underlying commitments that the authority has in the long-run to pay retirement benefits. The total liability of £67,232,000 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:

Financial Assumptions	31 March 2021	31 March 2022
	% p.a.	% p.a.
Pension Increase Rate (CPI)	2.85%	3.20%
Salary Increase Rate	3.75%	4.10%
Discount Rate	2.00%	2.70%

Demographic assumptions

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a. for both males and females. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	22.1 years	24.5 years
Future Pensioners*	23.1 years	26.2 years

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

Historic demographic assumptions

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

Prospective Pensioners	Future Pensioners
CMI 2020 model, with a 0% weighting of 2020 data, standard smoothing (Sk7), initial adjustment of 0.5% and a long term rate of improvement of 1.5% p.a.	CMI 2020 model, with a 0% weighting of 2020 data, standard smoothing (Sk7), initial adjustment of 0.5% and a long term rate of improvement of 1.5% p.a.

Please note that the mortality assumptions used to value the Obligations in the Employer's Closing Position are different to those used to value the Obligations in the Employer's Opening Position.

Commutation

A commutation allowance is included for future retirements to elect to take 25% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 63% of the maximum tax-free cash for post-April 2008 service.

Sensitivity Analysis

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Change in assumptions at year ended 31 March 2022

	Approximate % increase to Defined Benefit Obligation %	Approximate monetary amount £'000
0.1% decrease in Real Discount Rate	2%	3,445
1 year increase in member life expectancy	4%	7,929
0.1% increase in the Salary Increase Rate	0%	240
0.1% increase in the Pension Increase Rate (CPI)	2%	3,179

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 2019 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.

The actuary estimates Employer's contributions for the year to 31 March 2023 will be approximately £4,139,000.

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
EXPENDITURE AND FUNDING ANALYSIS (EFA)	This reconciles the Council's management accounts/outturn statement to the Surplus or Deficit on the Provision of Services
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
MOVEMENT IN RESERVES STATEMENT (MIRS)	This shows a summary of changes that have taken place in the bottom half of the balance sheet over the financial year
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 (previously known as deferred charges) which may properly be capitalised but which is not in respect the Council's own assets
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

Woking Borough Council

Annual Governance Statement

2021 - 2022

Shaping the *future* of our borough



1. Scope of Responsibility

Woking Borough Council is responsible for ensuring that:

- Its business is conducted in accordance with the law and proper standards
- Public money is safeguarded and properly accounted for, and
- Resources are used economically, efficiently and effectively

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

In discharging this overall responsibility, the Council 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 Council 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 4.

This statement explains how the Council 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 Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council 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 Council's relationship with customers and residents. Trust in public services is also influenced by the quality of services received and also by how open and honest a Council is about its activities.

A framework for the implementation of good governance allows the Council 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 governance framework has been in place at the Council for the year ended 31 March 2022 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 Council's governance arrangements are documented in a detailed supporting analysis.

The system of internal control is a significant part of the 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.

3. Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework.

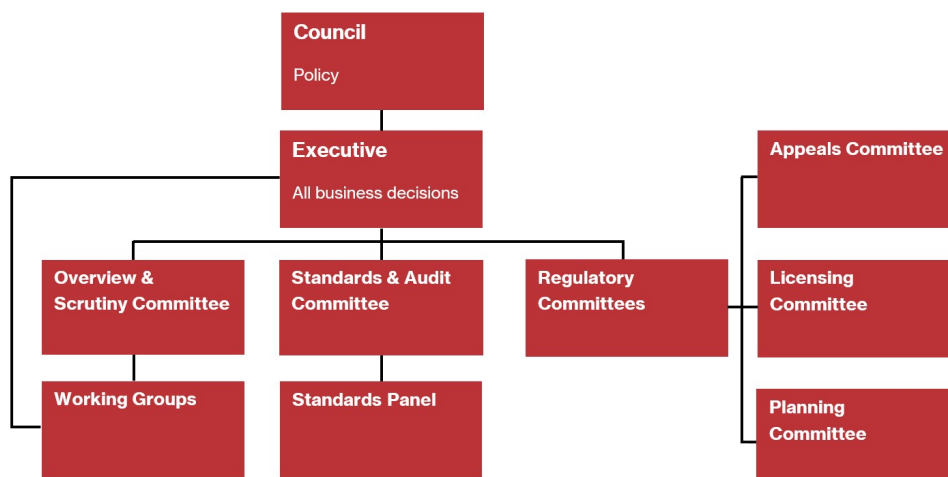
The arrangements required for gathering assurances for the preparation of the Annual Governance Statement provide an opportunity for the Council to consider the robustness of the governance arrangements in place and to consider this as a corporate issue that affects all parts of the Council. It also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

The review of effectiveness is informed by the work of the Corporate Leadership Team and Senior Managers within the Council 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 Leadership Team review the arrangements and provide an assurance that the Council is operating within local and statutory frameworks and have approved this statement.

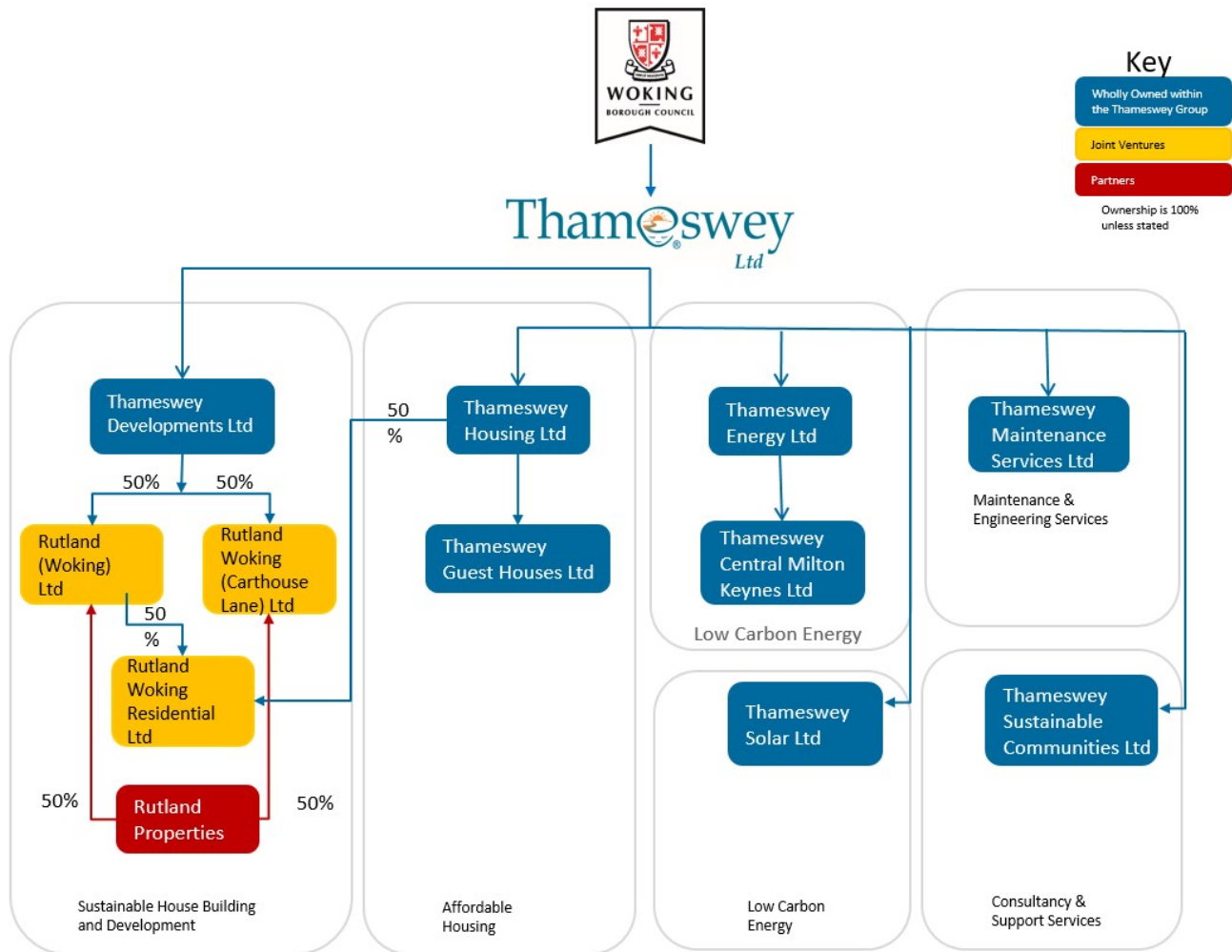
4. The Governance Framework

The Council operates a Leader and Executive system of governance, with an Overview and Scrutiny Committee in place to scrutinise the work of the Executive.

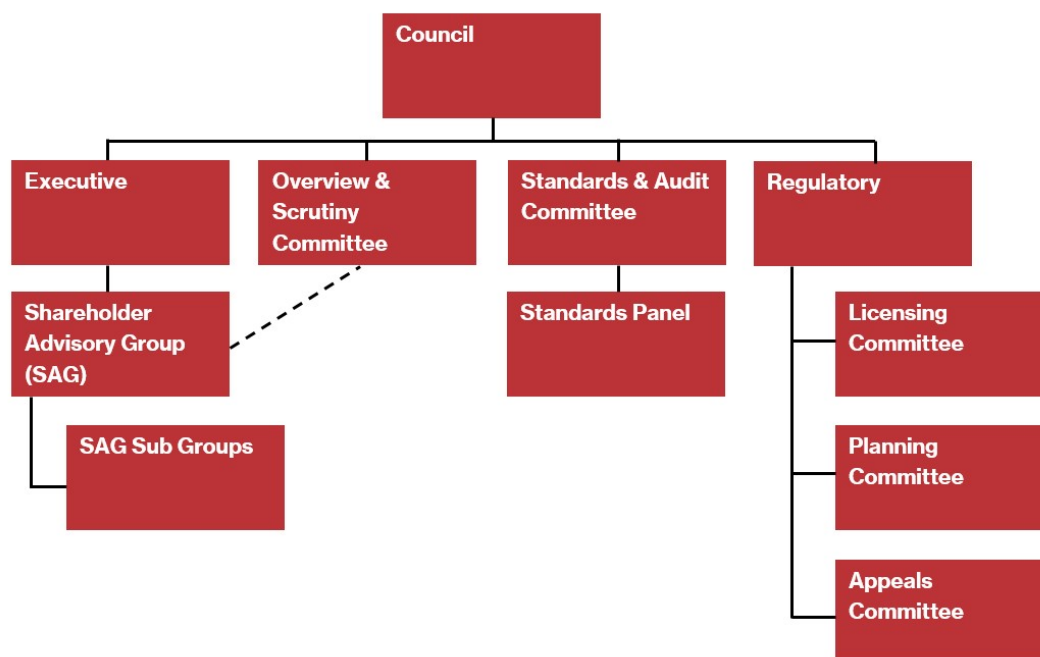


Company Governance

The Council uses a company structure to deliver Council objectives in a more efficient and effective manner. Company business plans are approved by the Council and performance reported through the Council's Green Book performance monitoring, and to Council working groups. The ThamsEwey Group, shown below, delivers housing and environmental objectives for the Council. The Council also manages Brookwood Cemetery and the Victoria Place regeneration through company structures.



During 2021/22 there were Councillor, Officer and Independent Directors of the companies in accordance with the Company protocol adopted by the Council. A revised governance system was approved by the Council in July 2022, based on best practice guidance, which removes Councillor Directors, creates a Shareholder Advisory Group to provide oversight of Company activities and appoints the Leader of the Council as the Council's Shareholder Representative.



Governance Framework Principles

There are seven principles and sub-principles of Corporate Governance adopted by the Council as set out below. Assurance for how they are met is provided in following sections, supported by further detail in Appendix 1.

Principle	Description of Principle
A	Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.
B	Ensuring openness and comprehensive stakeholder engagement.
C	Defining outcomes in terms of sustainable economic, social and environmental benefits.
D	Determining the interventions
E	Developing the entity's capacity including the capability of its leadership and the individuals within it.
F	Managing risks and performance through robust internal control and strong public financial management.
G	Implementing good practices in transparency, reporting and audit to deliver effective accountability.

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

Assured

The Council has high standards for sound governance as set out in law and government guidance. It promotes a culture of compliance.

The Council's codes of conduct set out expectations and requirements for behaving with integrity for both Members and officers. Action was taken to promote these and provide assurance that they continue to be implemented fully and correctly.

The Standards and Audit Committee oversees the democratic arrangements of the Council and reviews and advises Full Council on maintaining high standards. The Responsibility for Functions (including the Scheme of Delegation) and Standing Orders require Members and officers to ensure that all decisions are compliant with internal policies and procedures, as well as with the law. These help ensure transparent decision-making, giving authority and certainty to the allocation of responsibilities as set out in the Constitution.

Part 5 of the Constitution contains the Code of Conduct for Members. In April 2021 the Council adopted the Local Government Association's Model Code of Conduct as revised during the year. To support the adoption of the new Code of Conduct a thorough review of the The Arrangements for Dealing with Allegations of Misconduct by Councillors under the Localism Act 2021 was undertaken. Following stakeholder engagement with all Councillors the new arrangements were adopted by Full Council.

The code of conduct defines the standards of behaviour for Members. The Monitoring Officer provides annual training on the Member Code of Conduct and is available to discuss any matter arising throughout the year. Member conduct is monitored by the Standards and Audit Committee, which has a remit to deal with complaints of breaches of the Member Code of Conduct through the Standards Panel. All Members complete the register of interests and it is a standing item on all formal meeting agendas for both officers and Members.

A parallel Code of Conduct for officers sits in the suite of employee policies. The Council's Constitution contains an Officer Conflicts of Interest Protocol which brings together controls on Officers' conflicts of interest contained in the Local Government Act 1972, Officer Employment Rules and the Code of Conduct. There is a comprehensive staff handbook and Behaviour and Skills Framework setting out the Council'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.

Both codes for Members and Officers 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.

Decision-making is supported by advice from officers and internal guidance that should ensure compliance with policies.

The statutory roles of the Chief Financial Officer (s.151 officer) and the Monitoring Officer are set out in the Constitution and in the scheme of delegation. They provide oversight of propriety and lawfulness. They form part of the Corporate Leadership Team and there are regular Statutory Officer meetings with the Chief Executive.

The Council's Contract Standing Orders and the Financial Regulations provide rules for lawful and sound processes for contract and spending decisions. These are managed by the Monitoring

Officer, and Chief Financial Officer. These Standing Orders help ensure transparency and a Governance framework in relation to how decisions are made.

The Council 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.

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

Assured

The Council exists to serve its residents and is dependent on a wide range of stakeholders for working effectively in partnership. Consultation and engagement mechanisms are in place and are used effectively. The Council has clear decision-making processes and rules and procedures to enforce them which emphasise openness and transparency. This has been tested and shown to be resilient during the pandemic and its impact on ways of working

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

The Council is the ultimate decision-making body and the principal forum for political debate. Formal meetings of the Council, Executive, Overview and Scrutiny, Planning, Licensing and Standards and Audit Committees are webcast and recordings are available afterwards to view through the website. Agendas and reports for Cabinet and committee meetings, unless considered exempt from publication, are published at least five clear working days in advance – exceptions are explained in public documents.

The Council sets the Policies and Strategies for the Council 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 Council 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 Council are discharged through its non-executive committees and the Standards and Audit Committee.

The Forward Plan describes all significant (key) decisions planned to be taken in the following four months and is published and updated at least monthly. The Forward Plan is used by the Overview and Scrutiny Committee to help plan business. This ensures early awareness of, and engagement with, all Members. Decision-making operates with a presumption of openness.

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.

The Council is committed to working with residents, businesses, communities, service users, and partners to help prioritise what it does, to give them a say over the approach and to have the chance to get involved in delivery and change. This requires sound arrangements for engagement and consultation.

The Council uses a variety of ways to engage residents and other stakeholders - publications (printed and digital), press releases and social media to keep people informed of plans or decisions, and engagement via questionnaires, public events, workshops, focus groups, satisfaction surveys and feedback forms and has introduced an online 'Civic' forum to more officially engage with residents. Formal consultation will be undertaken where there is a statutory duty or legitimate expectation and where there is a service or policy need to do so.

The Council has taken significant action has been taken to increase the effectiveness of public engagement and communication over the past year and to ensure that engagement is embedded into the Council's culture and working practices.

The Council works with a range of stakeholders. This includes a range of public bodies, local authorities, the NHS, and Surrey Police. Other tiers of local government are important partners in many areas of service delivery, strategic planning, and community development. There are both formal and informal forums in place for regular liaison with elected Members and senior officers in the neighbouring district and borough councils, including regular meetings of all the leaders of the councils to discuss issues of common interest.

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

Assured

The Council has established arrangements to define outcomes and monitor performance against agreed measures. These cover the Council strategic aims

In setting policies and strategies, the Council takes a long-term view of outcomes, taking into account sustainable economic, social, and environmental aims and has effective, comprehensive performance monitoring in place.

The corporate document 'the Corporate Plan' was adopted by the Council in March 2021. Resident engagement was carried out during the year to develop a Corporate Strategy to cover the period 2022-27 and performance will be monitored in a structured, timely and transparent way.

The Council exists to serve its residents and is dependent on a wide range of stakeholders for working effectively in partnership.

Consultation and engagement mechanisms are in place and are used effectively. The Council has clear decision-making processes and rules and procedures to enforce them which emphasise openness and transparency.

The Council has adopted a Corporate Strategy for 2022-2027. The Working for All strategy commits the Council to a set of strategic objectives between 2022 and 2027 that give clear

direction to residents, businesses, partner organisations and council staff, based around four community-based themes.

- Healthier Communities
- Engaged Communities
- Greener Communities
- Prospering Communities

Underpinning these community-based themes is an overarching 'high performing council' theme which ensures the council delivers the best outcomes from its funds and assets.

A supplementary strategy that sets out the new administration's key priorities for the year ahead was adopted by the Executive on 16 June 2022 and by Council on 21st July 2022.

The Woking for All supplementary and amended priorities strategy sets out 23 key policy priorities for 2022 and 2023 which complement the Woking for all 2022/27 strategy, adopted earlier in 2022.

Development of the strategy followed a series of community engagement roadshows held during November and December 2021, complimented by a comprehensive online public questionnaire hosted on the council's engagement hub, Woking Community Forum.

Key priorities identified by communities during this process helped develop the strategic objectives for the next five years, as well as the priority actions for 2022 and 2023, providing a comprehensive and integrated approach to service and financial planning.

The Woking for All strategy will be reviewed annually to ensure the strategic objectives remain relevant and annual priority actions to deliver the objectives are agreed and set.

The Corporate Strategy reflects the key priorities and strategies already in place:

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 Borough's 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 Council 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.

The Economic Development Strategy was approved by Council in April 2017 and covers the period to 2022 while considering the vision to 2050. The Strategy's objectives are to encourage business development growth and inward investment in the Borough. Additionally, the Strategy supports the creation of jobs, stimulating the economy, as well as generating income for the Council (to support service provision). A Framework for Recovery in response to the pandemic was approved and implemented in 2020. The Economic Development Action Plan was approved in September 2021. It is an interim plan to take us to 2023 when a new or updated economic development strategy will be adopted. This Economic Development Action Plan complements

key strategies and plans we have already published including the Core Strategy, the Economic Development Strategy for Woking 2017-2022 and the 2021/2022 Corporate Plan.

The Action Plan addresses key issues arising from the pandemic and it will also support the forthcoming Woking Town Centre Masterplan. The Woking Town Centre Masterplan will provide the overall vision for the Town Centre that will drive investment decisions in a coherent and sustainable manner and ensure that Woking continues to be a destination of choice.

Capital and Investment and Treasury Management Strategies are approved annually. These provide details on the overall approach to the capital programme including explaining the purpose of the Council investments.

Active monitoring of performance is undertaken through regular reviews of Directorate Service plans and with all staff through individual staff performance conversations. 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 Council's website.

The Council has been able to protect services in recent years, seeking to achieve efficiencies and increase income generation where there have been budget pressures. In the post-pandemic economic environment it will be necessary to revisit this strategy and explore operational efficiencies, learning from others and embracing digital innovation wherever possible.

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

Assured

The Council takes decisions on interventions based on the priorities agreed in the Council's Corporate Strategy and supporting policy documents. In areas identified for improvement systems for governance, oversight, and scrutiny of interventions will continue to be given particular focus.

A Medium Term Financial Strategy (MTFS) is prepared on at least an annual basis and updated as circumstances change. It is linked to the annual budget and service strategies.

The MTFS was updated regularly during 2021/22 recognising that the Covid-19 crisis had caused significant financial uncertainty which required a revised strategy to establish a sustainable future plan. The MTFS was last updated in July 2022 and this regular reporting shall continue as part of the Council's integrated service and financial planning cycle.

Directorate 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 Council has established The Fit for the Future programme which establishes a new way of working to explore operational efficiencies, learning from others and engineering digital innovation.

Executive decision reports provide a public record of all significant decisions to implement service plans and spend. They are required to show the intended outcomes, the rationale for the proposal, implications for Council resources, other options considered, advice received, consultation undertaken and how risks are managed.

The Council 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.

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

Assured

Officers and Members are expected to have a clear sense of their purpose, roles, and responsibilities in line with the Council’s vision and the suite of policies and processes which support it.

The Chief Executive and the Corporate Leadership Team manage the Council’s workforce, skills and resource planning. All officers are expected to have their performance monitored and their development needs identified and addressed. Specific attention is paid to programmes for leadership development. The Council runs a leadership programme to encourage junior/mid-level managers to develop the skills required for senior leadership positions.

A system is in place to ensure that all elected Members have an understanding of their roles and responsibilities when appointed or elected to particular positions within the Council. Members are expected to be able to fulfil the expectations and demands of their roles as local Members and those positions to which they may be appointed.

Arrangements for the Council’s Member appointments to specific roles are open and set out in the Constitution. The Council elects the Leader who decides the composition and responsibilities of the Executive. The Council makes appointments to all committees. All terms of reference are published in the Constitution.

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 and was assessed for reaccreditation in 2018 and was again awarded the Charter. The Council is committed to continually improving its member development programme.

Statutory roles include the designation of the Chief Executive as Head of Paid Service, the Director of Democratic and Legal Services as the Monitoring Officer and the Finance Director as s.151 officer.

Personal development priorities are agreed through a personal development review process. The Performance and Development Review process is embedded in the Council 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. There is an established programme of induction training for new staff. Training is available increasingly through an online learning system.

The Council was assessed by Investors in People during 2019/20. The Council retained an accreditation at the ‘Silver’ level and also received the Health and Wellbeing Good Practice Award. The Council is currently going through the assessment process.

A programme of management development was introduced following the 2015 Peer Review to support future leaders and succession planning. This programme was extended to further staff during 2020/21.

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

Assured

Risk management is robust and risks are being considered during business planning and decision-making processes, corporately and across all services.

The Council has robust internal financial controls in place, displays strong public financial management and operates systems to manage risks and performance in the most effective manner.

The Constitution sets out the rules to ensure robust internal control over the Council's finances. The system and arrangements for financial performance management and budget monitoring demonstrate sound internal monitoring and control and have formal and well published arrangements for Member and officer oversight and transparency.

The system of internal financial control is based upon a framework of comprehensive financial regulations and procedures 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. The Council has an anti-fraud and corruption policy and whistle blowing policy which are updated and promoted internally regularly

The Council's financial management arrangements conform to the governance requirements of the CIPFA 'Statement on the Role of the Chief Financial Officer in Local Government 2010'.

The Council adopted an updated Risk Management policy in September 2021 to ensure that the Council's approach to risk management reflects best practice, and remains an essential component of strong governance and robust business management. The appropriate management of risk is a fundamental element of the Council's ability to provide cost effective, quality services and to deliver its corporate priority outcomes. To achieve this, sound risk management practices are firmly embedded within the culture of the Council, providing a proportionate and effective mechanism for the identification, assessment and, where appropriate, management of risk. 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 Council'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 Leadership Team review the Strategic Risk Register. Committee reports identify and quantify risks associated with a proposal.

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

Assured

The Council has transparent processes in place through publication of the Forward Plan of key decisions, of agendas and reports of its meetings and those of its committees. This includes key decision reports on the website.

The Council has effective, open data reporting arrangements to ensure the accessibility of significant spend, contractual and other data relevant to financial performance.

All meetings of the Full Council and of the committees which discharge executive, non-executive or scrutiny functions take place in public and have their reports and minutes published on the Council's website. Decisions, agendas and reports are published on the website and are available to the press and public. This is driven by the publication of the Forward Plan of key decisions. A limited number of reports are considered in private session only when the subject meets the prescribed criteria.

The Standards and Audit Committee undertakes the functions of an audit committee. This includes review of the findings of Internal Audit. The Committee meets regularly and in public and holds officers to account for the timely implementation of agreed audit actions.

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.

The Council 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.

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.

5. Roles and Responsibilities

The Council 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 Thameswey Group of companies has been established by the Council 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 Thameswey 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 Council has recently established the Shareholder Advisory Group to exercise its shareholder function.

The Group Business Plans are approved by the Council annually. Group Company information is included in the monthly performance and financial monitoring information (Green Book).

The senior management of the Council is structured to provide clear responsibility and accountability at both strategic (Corporate Leadership Team, CLT) and operational (Senior Manager) levels.

The CLT comprises the Chief Executive, Strategic Director - Corporate Resources, Strategic Director- Communities, Strategic Director - Place, Finance Director and the Director of Democratic and Legal Services. Each has allocated responsibilities to ensure 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 Director of

Democratic and Legal Services is the designated Monitoring Officer and is responsible for ensuring that the Council acts in accordance with the Constitution. The Finance Director is nominated in accordance with Section 151 of the Local Government Act 1972.

The Head of Internal Audit, provided through a framework contract with Mazars, has direct access to the Finance Director, to the Chief Executive, other CLT 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'.

6. Assurance and Significant Governance Issues

No assurance can ever be absolute; however, this Statement seeks to provide a reasonable assurance that there are no significant weaknesses in the Council's governance arrangements.

On the basis of the review of the sources of assurance set out in this Statement and Appendices, we are satisfied that the Council has in place satisfactory governance arrangements, including a satisfactory system of internal control, both of which are operating effectively.

The Annual Internal Audit Annual Report and Opinion provides an opinion on the adequacy of the Council's control environment as a contribution to the proper, economic, efficient and effective use of resources. The Council must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

The Council will continue to regularly monitor issues that may seriously prejudice or prevent achievement of its key objectives through its strategic risk review process.

Both governance and internal control arrangements must be kept under review to ensure that they continue to operate effectively, meet changing legislative needs and reflect best practice and our intention to achieve excellence in all our activities. The Council has identified the following areas for enhancement of the Council's governance requiring action in order to ensure arrangements remain robust for the future:

- **Constitutional Review**
A thorough review of the Council's Constitution is underway.

- **Internal Audit**
Internal Audit are conducting a review of the Council's Governance Arrangements. Any improvement identified shall be considered and actioned.

- **Company Governance**
Ensure that the recently adopted Company Governance Arrangements are implemented.

- **CIPFA Financial Management Code**
Ensure that the Council's governance arrangements comply with the Financial Management Code which has been published by The Chartered Institute of Public Finance Accountants (CIPFA)

7. Conclusion

We are satisfied that the Council 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 Ann-Marie Barker
Date

Chief Executive
J Fisher
Date