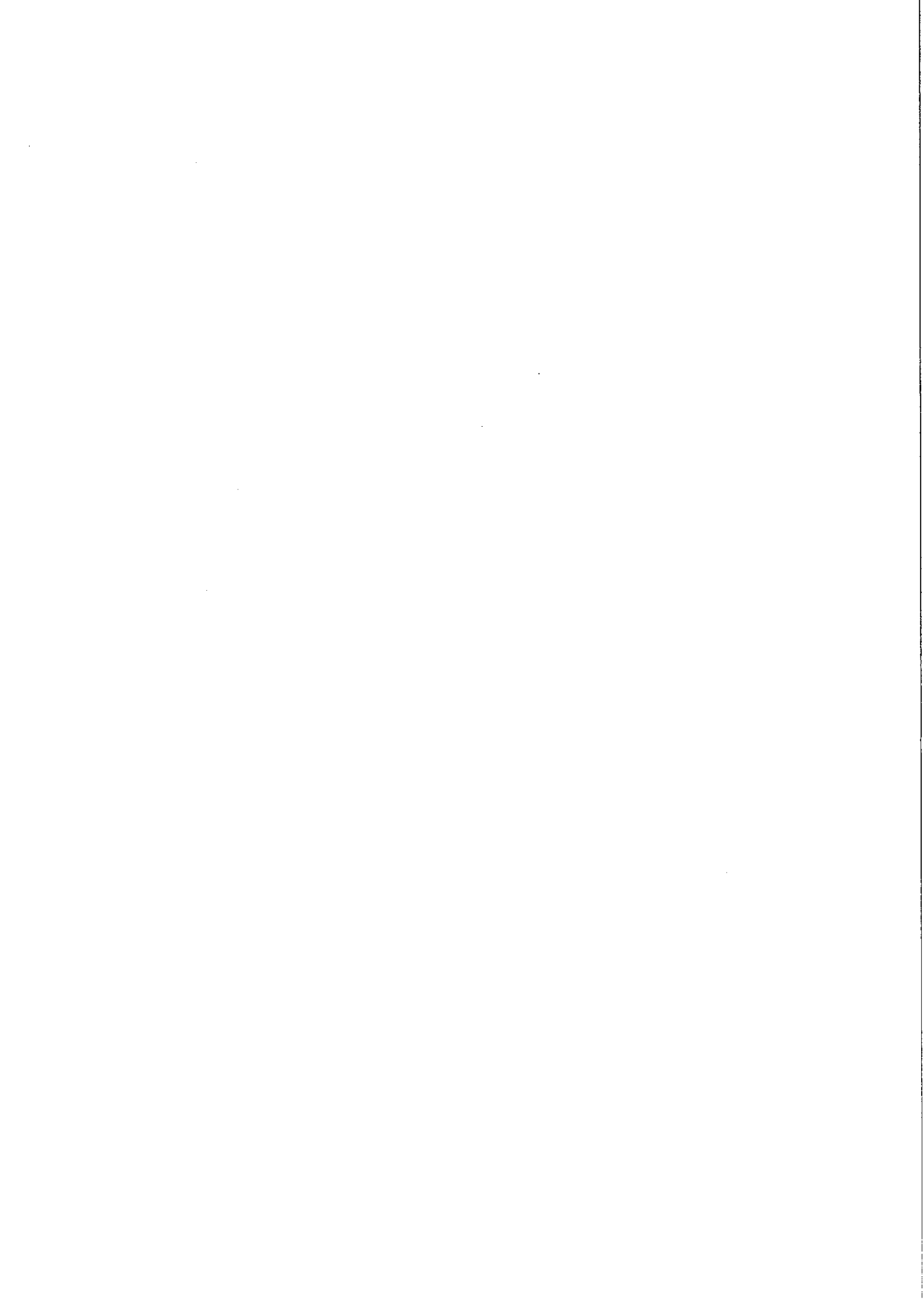


WOKING BOROUGH COUNCIL

**ANNUAL FINANCIAL REPORT
AND
STATEMENT OF ACCOUNTS**

**FOR THE YEAR ENDED
31 MARCH 2017**



CONTENTS

	Page No.
Explanatory Foreword	2
Revenue Outturn Statements	9
Statement of Responsibilities	13
Statement of Accounts:	
Summary of Significant Accounting Policies	14
Movement in Reserves Statement	24
Comprehensive Income and Expenditure Statement	25
Balance Sheet	26
Cash Flow Statement	28
Notes to the Movement in Reserves Statement	29
Notes to the Comprehensive Income and Expenditure Statement	37
Notes to the Balance Sheet	46
Notes to the Cash Flow Statement	66
Housing Revenue Account (HRA) Income and Expenditure	68
Statement of Movement in HRA Balance	69
Notes to the Housing Revenue Account	70
Collection Fund	74
Notes to the Collection Fund	75
Pensions explanatory notes	77
Group Accounts	85-95
▪ Accounting Policies	
▪ Company and Joint Venture Information	
▪ Movement in Reserves Statement	
▪ Comprehensive Income and Expenditure Account	
▪ Balance Sheet	
▪ Cash Flow Statement	
▪ Notes	
Glossary	96
Annual Governance Statement	99
Auditor's Report	107

**EXPLANATORY FOREWORD
BY THE CHIEF FINANCE OFFICER
LEIGH CLARKE ACA**

1.0 Introduction

- 1.1 This year has seen the Council make a number of critical decisions to progress long term strategic projects to improve the Borough. In June the Council approved the community and leisure facilities at Egley Road which are now being built alongside the new secondary school. In December the Victoria Square regeneration was approved with work already starting on the surrounding infrastructure. Finally, work continued on the Sheerwater project with the Council making the decision to go ahead in April.
- 1.2 Service income and expenditure in year was almost £1 million under budget, with some of the contingency also unallocated. As in previous years, savings and efficiencies continued to be identified and realised, although these tended to be one-off in nature. It is becoming increasingly difficult to achieve ongoing reductions to the Council's base cost.
- 1.3 The Council supported local community and voluntary organisations through direct grant aid, accredited use of HG Wells and discretionary relief on rates. In 2016/17 this support amounted to £1.3 million.
- 1.4 Looking forward the government has progressed consultations on the future of local government funding and allocation of resources but the financial funding position remains uncertain post 2019/20. The Council's Medium Term Financial Strategy was updated in March 2017 and shows a need to identify almost £7.5 million in ongoing savings by 2021/22. Of this, strategies are in place for approximately £4 million, but £3.5 million of savings or efficiencies still remain to be secured. The Council is pursuing an investment led strategy to enable self sufficiency and cushion the impact of further future withdrawals of funding.
- 1.5 This statement of accounts sets out the Council's financial transactions during the year 1 April 2016 to 31 March 2017 and its financial position at 31 March 2017. The narrative below provides further detail and explanations of the in-year expenditure, funding, investments, reserves and the future pressures facing the Council.

2.0 Investment Programme and Projects

- 2.1 While the Council made key decisions on Victoria Square, the Sheerwater regeneration and Egley Road projects during the year, work also continued on other Investment Programme projects.
- 2.2 The Council made a number of strategic commercial property acquisitions which will assist in future development plans and generate operating surpluses to support the Council's services. Commercial properties included Orion Gate, Morris House, Cleary Court and offices at Church Street West. Land was also purchased at Ten Acre Farm.
- 2.3 Work commenced on the town centre Integrated Transport works which are part funded by grant from the local enterprise partnership.
- 2.4 The final homes were completed at Kingsmoor Park, the Council's housing Private Finance Initiative (PFI) scheme, which provides 224 affordable homes for local people.

- 2.5 Investment in Thamesway Housing continued, creating more affordable properties both through acquisition of street properties, new build and redevelopment.
- 2.6 Celebrate Woking again delivered a successful programme of events, including the Party in the Park and Woking Food and Drink Festival.
- 2.7 In total the Council spent £180 million on investment programme capital and revenue projects:

	£ million
Investment in Council Housing Stock	8
Victoria Square regeneration	30
Integrated Transport works	6
Investment in Thamesway companies for housing provision	63
Strategic, Commercial and other Opportunity property purchases	46
Egley Road Leisure and Community facilities	12
Other capital and revenue projects	<u>15</u>
	<u>180</u>

- 2.8 The Council used borrowing to fund £150 million of the investment in group companies and other Investment Programme projects. Capital grants and other contributions funded £20m, receipts from sale of assets contributed £2m and reserves £7m. Approximately £1.5m of these Investment Programme projects were revenue in nature (did not create an asset) and are therefore shown in the Council's income and expenditure account in the year. This includes the Celebrate Woking programme of events, projects funded by the Community fund and other reserves as well as other project activity and feasibility studies.
- 2.9 The Council received £9m of capital receipts in the form of loan repayments from it's group companies. These are to be used to repay the Council's borrowing when it becomes due.
- 2.10 The other significant source of capital receipts was the sale of council houses under Right to Buy. The Council retains a proportion of these receipts for its own purposes, pays some over to the Government and can opt to retain part of the receipts to use towards replacement housing. In 2016/17 the Council sold 25 properties generating gross receipts of £4 million of which £1 million has been retained for our own purposes, £1 million has been paid to the Government and we have opted to retain £2 million to put towards replacement housing. Going forward the Council has opted not to retain these receipts as all the resources available to fund the Council's contribution have been allocated. In March 2017 the quarterly monies were not spent by the 3 year deadline and were therefore returned to the government with interest.

3.0 Revenue budget and outturn 2016-17

- 3.1 The 2016/17 budget was approved by the Council in February 2016. Budgeted net operating expenditure for 2016/17, before transfers to and from reserves, Council Tax and government financing, was £14 million. Woking received Government support of £2 million through redistributed Business Rates and £0.6 million in Revenue Support Grant. In total this was a reduction of £867,000, or 25%, less than in 2015/16. This was partly offset by a transition grant of £137,000.
- 3.2 £2 million was received in New Homes Bonus grant which is awarded for increases in the provision of new residential properties. In 2016/17, £1.2 million was used to support services in the year with the rest allocated to the New Homes Bonus

reserve. The reserve is used to fund infrastructure relating to developments including community assets. There is £1.3 million in the reserve at the 31 March 2017.

- 3.3 The service outturn statement for 2016/17 (page 9) shows the net service income and expenditure and provide explanations for the significant variances. These variances are reported during the year in the Council's monthly 'Green Book' publication. The year end Green Book reported savings of £981,000 compared to budget. The most significant relate to treasury management and capital financing, energy costs, planning income, and rents from new strategic commercial properties. These underspends offset pressures from homelessness, other property variations, elections and housing benefits.
- 3.4 The new Expenditure and Funding Analysis, which can be found on pages 17 and 18, reconciles the outturn statements to the statutory Comprehensive Income and Expenditure statement on page 25.
- 3.5 The Comprehensive Income and Expenditure Statement (CIES), prepared in accordance with IFRS, shows a deficit for the year of £12.6 million.
- 3.6 There are a number of entries in the CIES (page 25) which are included to conform with International Financial Reporting Standards (IFRS) but statute requires should not be charged to the General Fund balance. These amounts are reversed out within the reserves and are shown in the notes to the Movement in Reserves Statement (page 29). A charge is made to the General Fund balance to provide for the repayment of debt which is a requirement of the Code, but not of IFRS. This is called the Minimum Revenue Provision.

	£ million
Deficit on CIES	-12.6
<u>Reverse:</u>	
Depreciation, revaluation and Impairment Charges	26.1
Capital expenditure creating an asset not owned by the Council	13.5
Grants and contributions amortised	-20.1
Loss on disposal of property	1.6
Pooling of housing capital receipts	1.6
Pension, Collection fund and other adjustments	0.0
	<u>22.7</u>
Minimum Revenue Provision for debt repayment	-3.7
Adjusted surplus on CIES	<u>6.4</u>

- 3.7 The overall effect is a transfer to revenue reserves of £6.4 million. Earmarked revenue reserves set up for specific purposes are shown on page 30.

4.0 Assets and Liabilities

- 4.1 At 31 March 2017 the Council's balance sheet shows net assets worth £245 million.
- 4.2 Property assets have been revalued where material, some lower value assets are revalued on a rolling basis. In total the revaluation has increased Council Housing

by £17 million and Land and Buildings by £6 million. Investment Properties have fallen in value by £12 million mostly due to empty units in Wolsey Place which are being held for the Victoria Square development.

- 4.3 At 31 March 2017 cash and temporary deposits of £14 million were held. There were no investments with terms in excess of one year.
- 4.4 The Council has made £175 million of loans to its Thamesway group companies. These loans are shown as long term debtors on the balance sheet. There is also £25 million in shares held in the Council's wholly owned Thamesway group of companies which are shown as an investment.
- 4.5 The Council now directly owns Woking Necropolis and Mausoleum Ltd (WNML) which runs Brookwood Cemetery. The company had previously been part of the Thamesway group. In March 2017 loans advanced to WNML were converted to shares, which are now held to the value of £6 million. In addition the Council has shares in Victoria Square Woking Ltd (VSWL), which was previously known as Bandstand Square Developments Ltd (BSDL), and is the development company for the Victoria Square regeneration. In December 2016 the Council took on the shareholding in VSWL, and loans to the company, which had been held by Surrey County Council. £46 million has been advanced to VSWL to finance the regeneration including the refinancing of the Surrey County Council loans. The Council also holds shares in the Boom! West Sussex and Surrey Credit Union, and in the UK Municipal Bonds Agency.
- 4.6 At 31 March 2017 there was long term borrowing of £510 million and short term borrowing of £68 million. The level of short term borrowing reflects the short term nature of many of the capital projects as well as borrowing short dated money during periods of relative stability in money markets.
- 4.7 The Prudential Code enables a Local Authority to borrow to such an extent as the Authority considers appropriate within a range of indicators that it sets. It is therefore possible to invest to the level that is affordable, prudent and sustainable taking into account the level of income including Council Tax and housing rents. The Council's treasury management activity was undertaken in accordance with its Treasury Management Policy and Practices and within the strategy and overall borrowing limits.
- 4.8 The Council's share of the deficit on the Surrey Pension Fund continued to make a considerable demand on the Council's resources. Woking's Consolidated Balance Sheet shows a Pensions liability of £62 million. This has increased from £51 million at 31 March 2016 due to changes to the actuarial assumptions. The deficit reduces the net worth of the Council by 20%. A full valuation of the Fund was completed at 31 March 2016 which resulted in contribution levels from 2017/18 maintained at the same rates as 2016/17.

5.0 Reserves

- 5.1 The Council's balances and earmarked revenue reserves at 31 March 2017 were £35 million, an increase of £4 million compared to the balance at 31 March 2016. The increase is due to budget underspends and slippage of planned revenue project expenditure and an increase in housing funds held pending the Sheerwater redevelopment scheme.
- 5.2 The Investment Strategy Reserve balance at the 31 March 2017 is £5.0 million. This meets the policy objective of maintaining the reserve at £3 million and will

reduce once expenditure which has slipped from 2016/17 into 2017/18 is committed.

- 5.3 The Wolsey Place reserve was set up following acquisition of the shopping centre and was credited with the £10 million accepted for the surrender of a lease at Export House. Approximately £2.3 million of the reserve has been used during the year to help support improvement costs and reduced income incurred from voids during the transition and development of Wolsey Place. A transfer of some £1.2 million has also been made to the reserve during the year to increase the balance available for future years. The balance is £6.3 million at 31 March 2017.
- 5.4 A 'Medium Term Financial Strategy (MTFS)' reserve has been set up to mitigate the risks associated with the implementation of the Strategy for 2017/18 onwards as agreed in April 2017. It has been possible to credit the reserve with an additional £700,000 in 2016/17.

6.0 Group Companies and other Joint Ventures

- 6.1 The Code of Practice on Local Authority Accounting requires local authorities to consider all their interests and prepare a full set of group financial statements where they have material interests in subsidiaries, associates or joint ventures.
- 6.2 The Council has a wholly owned subsidiary, Thamesway Limited which itself owns 100% of companies set up to further the Council's environmental, housing and redevelopment objectives. The Council has also entered into a number of other joint ventures with specific project or service objectives. Woking Necropolis and Mausoleum Ltd is now owned directly by the Council, outside of the Thamesway group. A full listing of all the Council's interests can be found on pages 87 - 88 of the accounts.
- 6.3 Much of the capital investment during the year was through these Group Companies and partnerships. In total £63.5 million was advanced in loans during 2016/17, and an additional £2 million of share capital for onward investment to Thamesway Housing Ltd. The loans are shown as long term debtors in the Council's balance sheet and are listed in note 7, page 53. These balances are eliminated on consolidation in the Group accounts.
- 6.4 The Council now owns 48% of Victoria Square Woking Ltd, the company progressing the regeneration scheme. £30m of funding was advanced by the Council in the year, including taking on loans previously provided by Surrey County Council.
- 6.5 The accounts of the companies, consolidated into the Council's accounts, are presented as Group accounts on pages 85-95.

7.0 Housing Revenue Account

- 7.1 In 2016/17, after statutory adjustments, the Housing Revenue Account (HRA) (page 68) made a surplus of £2 million. The surplus was in line with the original budget and was transferred to the Housing Investment Programme reserve.
- 7.2 The Council's housing stock is managed by a joint venture partnership called New Vision Homes. The Council spent £6.4 million on renovating and improving its Council stock to help achieve and maintain the decent home standard. The Council and New Vision Homes work together to set the future maintenance and spending priorities over the short, medium and longer term. During the year £1.6 million was

spent on acquiring new properties using the Council's retained receipts from right to buy sales.

- 7.3 The government has considered a number of policies which would put pressure on the Housing Revenue Account in future years. For each of the 4 years from 2016/17 rents will be reduced by 1% a year. Proposals to recover additional amounts from high earning tenants have now been dropped, however, the government are still pursuing payments based on assumed sales of high value vacant dwellings. It is not clear what assumptions will be used in calculating this charge.
- 7.4 The HRA working balance at 31 March 2017 is £502,000, this is £150 per property which is at the top of the £100 - £150 per property range considered adequate for the purposes of prudent financial management.

8.0 Collection Fund

- 8.1 In 2016/17 the Council Tax set by Woking BC was £221.76 for a property in Band D, an increase of £4.95 on 2015/16. The Council collected £70 million in Council Tax. The Collection Fund shows that 74% is collected for Surrey County Council, 13% for Surrey Police and Crime Commissioner and 13% for Woking's own purposes. The total Band D Council Tax, including the amounts for Surrey County Council and Surrey Police Authority, was £1,710.23, an increase of £57.85 (3.5%), which included the Social Care precept introduced in the year.
- 8.2 During 2016/17 the Council was a member of the Surrey-Croydon Business Rates pool. This meant that any income collected, over the base level, was shared between members of the pool with Woking retaining 50% of any amounts which would otherwise have been paid to the government. The benefit to Woking was £644,000, of which £300,000 was assumed in the base budget. The remainder has been credited to the Business Rate Equalisation reserve alongside the surplus in the Council's retained share, to mitigate the risk of future changes in Business Rate income. Woking collected £48m in Business Rates which is allocated 50% to the government and 50% to Surrey CC and Woking Borough Council in the ratio of 20% and 80%. Woking is required to pay a tariff of £16 million from it's share, meaning that if the assumed baseline level of Business Rates is collected only 4.4% of the total rates collected is retained by the Council.

9.0 The Medium Term Financial Strategy to 2021/22

- 9.1 The financial environment for local government continues to be difficult with further reductions in government grant for 2016/17 and known reductions in each year to 2019/20
- 9.2 The government is consulting on changes to the system of local government funding. The changes include 100% retention of Business Rates by the local government sector from 2019/20 and a review to establish the resource 'need' for each area. The design and baseline for this new system is a risk to all Councils as it could have a material impact on the funds retained locally.
- 9.3 The Council has realigned budgets in recent years, setting prudent budgets and enabling significant efficiencies to be generated to ensure the continuation of service delivery. Base income budgets have been improved through increased activity and invest to save projects, reducing reliance on government support. The Council's medium term financial strategy looks to increase investment in housing and strategic investment assets over the period to mitigate reductions in funding and enable continued provision of services.

10.0 Conclusion

- 10.1 The Council's overall financial performance in 2016/17 was good, however, the Council's income and cost base remain vulnerable to external pressures beyond the Council's control. As central government support continues to be reduced and with new funding regimes on the horizon it is increasingly important that the Council plans for self-sufficiency.
- 10.2 The Medium Term Financial Strategy, agreed by Council in April 2017, set out the likely savings and additional income streams required to meet the withdrawal of government support and other identified risks. The Council will further develop these plans and has sufficient reserves set aside to allow the time to embed the changes.
- 10.3 Significant investment has been made to improve the Council's housing stock, to provide affordable housing within the Housing Revenue Account and through Thamesway Housing Ltd, to improve Woking Town Centre, refurbish and maintain the Council's assets and provide community assets.
- 10.4 Progress has been made on a number of major projects including the Victoria Square town centre redevelopment, the regeneration of Sheerwater and school and leisure facilities at Egley Road.
- 10.5 The Council's accounts for the year 2016/17 present fairly the financial position of the Authority at 31 March 2017 and its income and expenditure for the year ended 31 March 2017.

Leigh Clarke
Finance Director

Date:

I confirm that this Statement of Accounts was approved by Council on
28 September 2017

Councillor Graham Cundy
Mayor

Date:

REVENUE OUTTURN STATEMENTS

2016/17

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

PEOPLE - A healthy, inclusive and engaged community

PLACE - An enterprising, vibrant and sustainable place

US - An innovative, proactive and effective council

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

OUTTURN STATEMENT

2015/16 ACTUAL		2016/17		
		ESTIMATE	ACTUAL	VARIATION
£		£	£	£
	People			
2,042,854	Community Support	2,306,178	2,220,451	-85,727 (1)
3,217,065	Health and Well Being and Cultural Development	3,277,359	2,549,637	-727,722 (2)
1,346,573	Housing	1,566,409	2,148,748	582,339 (3)
450,837	Independent Living	753,727	623,905	-129,822 (4)
<u>7,057,329</u>		<u>7,903,673</u>	<u>7,542,742</u>	<u>-360,931</u>
	Place			
-3,265,292	Sustaining the Local Economy	-3,509,016	-3,697,381	-188,365 (5)
6,259,720	Environmental Quality	6,400,578	6,470,700	70,122 (6)
-5,458,490	Place Making	-6,145,650	-5,153,922	991,728 (7)
<u>-2,464,063</u>		<u>-3,254,088</u>	<u>-2,380,602</u>	<u>873,486</u>
	Us			
4,116,746	Democratic Services	4,152,200	3,515,140	-637,060 (8)
174,946	Corporate Services	188,809	157,294	-31,515 (9)
982,746	Customer Support Services	971,877	1,414,642	442,765 (10)
<u>5,274,437</u>		<u>5,312,886</u>	<u>5,087,076</u>	<u>-225,810</u>
-6,825,000	Council Housing (Housing Revenue Account)	-6,690,000	-6,947,000	-257,000 (11)
1,520,556	Investment Programme Revenue Projects	904,000	1,487,422	583,422 (12)
<u>4,563,260</u>	NET COST OF SERVICES	<u>4,176,471</u>	<u>4,789,637</u>	<u>613,166</u>

OUTTURN STATEMENT - NOTES

People

(1) Community Support

The variance against budget of -£86,000 is due to an underspend of £57,000 on employees, £5,000 on capital charges, and £24,000 additional income at the Centres For the The Community.

(2) Health and Well Being and Cultural Development

There is an underspend against budget of £728,000.

Depreciation on the Leisure Centre and Pool was £614,000 less than expected. The value of the building has reduced, and the useful economic life is now assessed as being much longer than previously thought. There were also savings from energy costs and extra income from energy sales, totalling £138k.

In addition there is an overspend of £3,000 on employees, £32,000 on depreciation for the Lightbox, and £20,000 due to the refurbishment of gallery and external storage at the Lightbox.

(3) Housing

Expenditure on employees was £55,000 more than expected. This is combined with increased capital charges of £276,000 due to the additional dwellings at the Moor Lane PFI Project becoming available. Due to an increase in homelessness applications Bed and Breakfast expenditure was £176,000 more than budgeted. There was also a £43,000 increase on the Rend Deposit Scheme Bad Debt provision. Other minor variations included an under spend on the Home Improvements Agency and over spends on the Housing Standards.

(4) Independent Living

There is a £129,882 net under spend on Independent Living. Employee costs were £122,000 less than budgeted and the remainder is made up of a net £8,000 under spend across the Day Centres, the Meals Service, and Community Alarms.

Place

(5) Sustaining the Local Economy

There is an underspend against budget of £188,000. The overspend on employees of £414,000 is offset by an underspend on capital charges of £417,000.

There is an overspend of £37,000 on Economic Development due to additional promotional opportunities, £4k on the incubator units, and £6 on additional Christmas lights in the town centre. In addition there is an overspend of £42,000 on H G Wells due to a shortfall in income and an overspend on supplies and services.

The remaining underspend on parking of £306,000 is mostly as a result of the on street parking arrangement and £117,000 will be transferred to the parking reserve and £98,000 to the Town Centre Management reserve. On street parking has generated a surplus of £49,000. The remaining underspend is due to energy savings and business rate refunds on the car parks.

(6) Environmental Quality

The overspend against budget of £70,000 is due to an overspend on employees of £87,000, capital charges £61,000 and Building Control scanning and consultants £18,000, offset by savings made within Building Services CCTV and Public Conveniences £54,000, Environmental Health and Maintenance £110,000 and Waste & Recycling £9,000. Costs of £78,000 due to the Town Centre Maintenance works will be funded from the Town Centre Maintenance Agreement Reserve.

The savings made within Environmental Health and Environmental Maintenance are made up of small savings across services such as the Control of Dogs contract, War Memorials, Flood Clearance & prevention, Countryside Services contractor payments, Surrey County Council contribution to services more than budgeted, Town Centre cleansing and Environmental Maintenance profit share from the contractor.

(7) Place Making

The overspend against budget of £992,000 is due to an overspend on employees of £146,000, capital charges £14,000 and Estates Management £979,000. These were offset by savings made within Climate Change & Strategy £31,000 and Development Management £115,000.

A large proportion of the overspend on staffing is temporary staff within Development Management £104,000, and has been offset by additional fees and charges, mainly from large schemes, of £98,000.

Wolsey Place shortfall in income £208,000 and costs of £324,000 will be supported by the Wolsey Place reserve which was created at the time of acquisition to fund dilapidations, refurbishments for new tenants and void costs.

The remaining overspend in Estates Management is made up of costs of running the Market £192,000, Rent payable £122,000, Consultants £53,000 and land management costs and clear up costs on new acquisitions £58,000, and £22,000 of miscellaneous property costs.

Us

(8) Democratic Services

The underspend against budget of £637,000 is due to underspends on Corporate employee costs of £318,000, Mayors transport costs £12,000, Corporate Room Hire £36,000 and Treasury Management fees £377,000. These are offset by overspends on Banking charges £17,000 and Election Costs £89,000.

(9) Corporate Services

Publication costs have been reduced through sharper procurement and use of external resources reduced, with the in-house team taking on those tasks previously contracted out. Advertising income has declined this year due to the general economic climate but compensating savings have been achieved in other areas of work.

(10) Customer Support Services

There is an overspend of £63,343 on Land Charges fees due to the prices that were set to reflect the cost neutral requirement of Land Charges fees and income. This overspend will offset some of the excess from prior years

(11) Housing Revenue Account (HRA)

Expenditure on employees was £123,216 less than expected. Rental income was a £100,000 more than budgeted (this includes a £55,000 increase on the bad debt provision and digital TV income being over budgeted by £30,000). A £228,000 saving was achieved on the revenue budgets associated with the New Vision Homes Contract, this has allowed further capital investment in the council dwelling stock. As detailed in the report to the Executive on the 15th October 2015, Thamesway Maintenance Services Ltd (TMSL) have been commissioned to refurbish, maintain, and operate HRA communal boiler plant rooms outside of the NVH Contract. The revenue cost of this service was £134,000 in 2016/17. Following the completion of the Lakeview Community Centre there has been £22,000 in start up and running costs. Community Alarms equipment expenditure was £22,000 more than budgeted in 2016/17.

(12) Investment Programme Revenue Projects

Variations arise as a result of the need to carry out additional projects in year, the cost of which is partly mitigated by slippage of other projects.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

Woking Borough Council's Responsibilities

The authority is required to:

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

The Chief Finance Officer's Responsibilities

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

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

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

The Chief Finance Officer has also:

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. GENERAL

The accounts have been prepared in accordance with the 2016/17 Code of Practice on Local Authority Accounting in the United Kingdom, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Code is based on International Financial Reporting Standards (IFRS).

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

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

2. PROPERTY, PLANT AND EQUIPMENT

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

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

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

Revaluations of fixed assets are carried out on a rolling programme, although material changes to asset valuations will be adjusted when necessary. Valuations are carried out by internal RICS qualified valuers in accordance with the Red Book.

Assets valued over £1m are included by component when the useful economic life is materially different to that of the overall asset. Subsequent material expenditure is also listed by component.

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

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

3. DEPRECIATION AND AMORTISATION

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

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

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

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

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

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

4. CHARGES TO REVENUE FOR THE USE OF FIXED ASSETS

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

5. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

6. CAPITAL RECEIPTS

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

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

7. DEBTORS AND CREDITORS

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

8. INVENTORIES

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

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

9. OVERHEADS AND SUPPORT SERVICES

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

10. PROVISIONS AND RESERVES

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

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

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

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

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

11. LEASES

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

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

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

The Authority as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the leases'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 (eg there is a rent-free period at the commencement of the lease).

The Authority as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

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

Operating Leases

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

12. EMPLOYEE BENEFITS

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the "Us" line (formerly Non Distributed Costs) in the Comprehensive Income and Expenditure Statement at the earlier of when the authority can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-Employment Benefits

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

The Local Government Pension Scheme is accounted for as a defined benefits scheme. The liabilities of the Surrey Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a Corporate Bond yield curve is constructed based upon a corporate bond yield curve (based on the constituents of the iBoxx AA corporate bond index). This is then adjusted to reflect the 'term' of the benefit.

The assets of the Surrey Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:

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

The change in the net pensions liability is analysed into seven 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 to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments;

Re-measurements comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve as Other Comprehensive Income and Expenditure; and
- Contributions paid to the Surrey Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

For further details see the notes on pensions on pages 77 to 83.

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

13. GRANTS

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

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

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

14. CAPITALISATION OF INTEREST

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

15. FINANCIAL INSTRUMENTS

Amortised Cost

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

Fair Value

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

16. PFI SCHEME

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

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

17. CASH AND CASH EQUIVALENTS

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

18. VALUE ADDED TAX

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

19. SIGNIFICANT JUDGEMENTS

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

Business Rates provision for appeals

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

Investment in subsidiaries

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

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

20. IMPACT OF ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code), the Council is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code. Implementation of The CIPFA Code of Practice on Transport Infrastructure Assets (the Infrastructure Code) has been deferred, however, this part of the code would not apply to the Council as it does not own an interconnected transport network. Further changes in the accounting code will occur in respect of IFRS 9 Financial instruments (to apply from 1 April 2018), IFRS 15 Revenue recognition (to apply from 1 April 2018) and IFRS 16

Leases (to apply from 1 April 2019). It is not expected that these will have a material impact on the accounts.

21. ROUNDING

The Council accepts that minor rounding differences of between £1k and £2k may occur within its Statement of Accounts, these amounts are not material and the Council does not intend to alter any totals where this occurs.

MOVEMENT IN RESERVES STATEMENT

	Notes 1/2 £000s	Notes 1/2 Housing Revenue Account £000s	Note 3 Capital Receipts Reserve £000s	Note 4 Major Repairs Reserve £000s	Note 5 Capital Grants Unapplied £000s	Total Usable Reserves £000s	Notes 6-12 Unusable Reserves £000s	Total Authority Reserves £000s
Balance at 31 March 2015 carried forward	17,922	6777	40,154	2,597	599	68,049	122,046	190,095
MOVEMENT IN RESERVES DURING 2015/16								
Total Comprehensive Income and Expenditure	1,875	1,881	0	0	0	3,756	50,386	54,142
Adjustments between accounting basis & funding basis under regulations	1,765	284	-2,907	-1,038	40	-1,856	1,862	6
Increase/Decrease before Transfers to Earmarked Reserves	3,640	2,165	-2,907	-1,038	40	1,900	52,248	54,148
Transfers to/from Earmarked Reserves	0	0	0	0	0	0	0	0
Increase/Decrease in Year	3,640	2,165	-2,907	-1,038	40	1,900	52,248	54,148
Balance at 31 March 2016 carried forward	21,562	8,942	37,247	1,559	639	69,949	174,294	244,243
MOVEMENT IN RESERVES DURING 2016/17								
Surplus or (Deficit) on Provision of Services (accounting basis)	-14,492	1,873	0	0	0	-12,619	0	-12,619
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	13,024	13,024
Total Comprehensive Income and Expenditure	-14,492	1,873	0	0	0	-12,619	13,024	405
Adjustments between accounting basis & funding basis under regulations	17,272	-145	11,119	-1,559	246	26,933	-26,944	-11
Increase/Decrease before Transfers to Earmarked Reserves	2,780	1,728	11,119	-1,559	246	14,314	-13,920	394
Transfers to/from Earmarked Reserves (Note 1)	0	0	0	0	0	0	0	0
Increase/Decrease in Year	2,780	1,728	11,119	-1,559	246	14,314	-13,920	394
Balance at 31 March 2017 carried forward	24,342	10,670	48,366	0	885	84,263	160,374	244,637

For notes to the Movement in Reserves Statement see pages 29 - 36

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Actual 2015/16 Restated				Actual 2016/17		
Expenditure £'000	Income £'000	Net Cost £'000		Expenditure £'000	Income £'000	Net Cost £'000
11,672	3,136	8,536	People	12,309	2,973	9,336
15,002	13,971	1,031	Place	28,000	13,452	14,548
36,103	30,780	5,323	Us	36,097	31,223	4,874
13,155	20,090	-6,935	Council Housing	12,961	19,878	-6,917
12,380	5,213	7,167	Investment Programme Projects	14,996	21,962	-6,966
88,312	73,190	15,122	NET COST OF SERVICES	104,363	89,488	14,875
		547	- Contribution to Housing Pooled Capital Receipts			1,616
		547	Other Operating Expenditure			1,616
		15,386	- Interest payable and similar charges			17,527
		4,765	- Pensions interest on obligation (pension notes pages 77-83)			4,799
		-2,792	- Expected return on pension assets (pension notes pages 77-83)			-3,040
		-8,146	- Investment interest income			-9,671
		-11,752	- Rentals received on investment properties			-12,382
		4,173	- Expenses incurred on investment properties			4,620
		-2,892	- Changes in fair value of investment properties			11,913
		0	- (Gains)/losses on disposal of investment properties			1,600
		-1,258	Financing & Investment Income & Expenditure			15,366
		-3,937	- Non-domestic rates income and expenditure			-3,954
		-5,500	- Non-ring fenced government grants			-6,086
		-8,730	- Council Tax Income			-9,196
		-18,167	Taxation and Non-Specific Grant Income & Expenditure			-19,236
		-3,756	(Surplus) or Deficit on Provision of Services			12,621
		-37,765	(Surplus)/deficit on revaluation of Property, Plant & Equipment Asset			-23,446
		-12,621	Actuarial (gains)/losses on pension assets/liabilities			10,422
		-50,386	Other Comprehensive Income and Expenditure			-13,024
		-54,142	Total Comprehensive Income and Expenditure			-403

Explanatory notes to the Comprehensive Income and Expenditure Statement see pages 37 - 45

The 2015/16 analysis of Net Cost of Services has been restated across the 'People, Place, Us, Council Housing and Investment Programme Projects' headings to be consistent with the 2016/17 disclosure requirements.

BALANCE SHEET

31 MARCH 2016		31 MARCH 2017	
£'000		£'000	£'000
277,043	Property, Plant & Equipment (note 1)		
131,958	- Council Dwellings	293,657	
3,740	- Other Land and Buildings	141,445	
19,564	- Vehicles, Plant and Equipment	3,971	
434	- Community Assets	20,943	
	- Assets Under Construction	9,968	
432,739			469,984
832	Heritage Assets (note 2b)		918
142,987	Investment Property (note 1)		174,706
106	Intangible Assets (note 1)		145
22,726	Long-Term Investments (note 6)		
	- Shareholdings in Companies		30,733
9	Long-Term Debtors (note 7)		
	- Mortgagees		6
154,991	- Others		236,716
754,390	Long Term Assets		913,208
0	Short Term Investments (note 11)		4,000
100	Inventories (note 8)		71
10,360	Short Term Debtors (note 9)		17,675
10,018	Cash and Cash Equivalents (note 10)		10,148
20,478	Current Assets		31,894
-46,530	Short-Term Borrowing (note 11)	-67,578	
-19,190	Short Term Creditors (note 12)	-21,930	
-158	Provision for accrued absences	-187	
-65,878	Current Liabilities		-89,695
-2,479	Provisions (note 16)	-1,447	
-388,028	Long-Term Borrowing (note 13)	-510,329	
-14,476	Liabilities from PFI & Similar Contracts (note 26)	-29,565	
-50,725	Liability related to pension scheme (pages 77-83)	-62,021	
-9,039	Capital Grants Receipts in Advance (note 14)	-7,408	
-464,747	Long Term Liabilities		-610,770
244,243	Net Assets		244,637

BALANCE SHEET

31 MARCH 2016		31 MARCH 2017	
£'000		£'000	£'000
1,000	General Fund		1,000
20,562	Earmarked Reserves - GF		23,345
8,445	Earmarked Reserves - HRA		10,167
497	Housing Revenue Account		502
1,559	Major Repairs Reserve		0
37,247	Capital Receipts Reserve		48,366
639	Capital Grants Unapplied		885
69,949	Usable Reserves		84,265
89,322	Revaluation Reserve		111,719
-50,725	Pensions Reserve (pension notes pages 77-83)		-62,021
134,262	Capital Adjustment Account		109,667
1,359	Deferred Capital Receipts		7
-1,226	Financial Instruments Adjustment Account		-1,012
-158	Employee Benefits Reserve		-187
1,460	Collection Fund Adjustment Account		2,199
174,294	Unusable Reserves		160,372
244,243	TOTAL NET WORTH		244,637

For notes to the Balance Sheet see pages 46 - 65

For further information on reserve movements during the year, see the notes to the Movement in Reserves Statement on pages 29 - 36.

CASH FLOW STATEMENT

	2016/17		2015/16
	£'000	£'000	£'000
<u>Revenue Activities</u>			
Net surplus/deficit on the provision of services	-12,619		3,756
Adjust net surplus/deficit for non-cash movements (note 1)	21,236		16,688
Net cash flow from operating activities		8,617	20,444
<u>Investing activities</u>			
<u>Cash Outflows</u>			
Purchase of fixed assets and revenue expenditure funded from capital under statute	-80,029		-21,350
Loans to subsidiaries and joint ventures	-96,206		-22,371
Shareholdings in Companies	-3,600		-4,000
		-179,835	-47,721
<u>Cash Inflows</u>			
Sale of assets	5,766		3,392
Capital grants received	16,350		3,422
Movement in other long term debtors	1,378		55
Other capital cash receipts	8,858		1,156
		32,352	8,025
Net cash flow from investing activities		-147,483	-39,696
Net cash flow before financing		-138,866	-19,252
<u>Management of Liquid Resources (notes 3, 4)</u>			
Net movement in short term deposits	-4,000		0
		-4,000	0
<u>Financing Activities</u> (Notes 2, 3)			
<u>Cash Outflows</u>			
Repayments of long term borrowing	-15,850		-595
Repayments of short term borrowing	-87,004		-49,308
		-102,854	-49,903
<u>Cash Inflows</u>			
New long term loans raised	131,850		26,000
New short term loans raised	114,000		37,000
		245,850	63,000
Net cash flow from financing activities		142,996	13,097
		138,996	13,097
Net increase/decrease in cash and cash equivalents		130	-6,155
Cash and cash equivalents at 1 April		10,018	16,173
Cash and cash equivalents at 31 March		10,148	10,018

For notes to the Cash Flow Statement see pages 66 - 67

MOVEMENT IN RESERVES STATEMENT EXPLANATORY NOTES

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

	2016/17 £'000	2015/16 £'000
(Surplus) or deficit for the year on the Comprehensive Income and Expenditure Statement	12,619	-3,756
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	-12,619	3,756
Increase in General Fund Balance for the Year	0	0
Balance on General Fund brought forward	1,000	1,000
Balance on General Fund carried forward	1,000	1,000

Amounts included in the Comprehensive Income and Expenditure Statement but required by statute to be excluded when determining the General Fund Balance for the year	2016/17 £'000	2015/16 £'000
Depreciation and impairment of fixed assets	-3,057	-3,792
Revaluation of fixed assets	-23,094	5,896
Capital grants with no outstanding conditions	20,119	2,104
Write down of Revenue Expenditure Funded from Capital by Statute	-13,512	-10,862
Net gain/loss on sale of investment properties	-1,600	0
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	214	181
Adjustments made for accumulated absences	-29	-7
Net charges made for retirement benefits in accordance with IAS19	-874	-1,421
	<u>-21,833</u>	<u>-7,901</u>
Amounts not included in the Comprehensive Income and Expenditure Statement but required to be included by statute when determining the Movement on the General Fund Balance for the year		
Minimum revenue provision for capital financing (a)	3,667	3,011
Transfer to/from Collection Fund adjustment account	740	2,846
Transfer from Capital Receipts Reserve to meet payments to the Housing Capital Receipts Pool	-1,616	-547
	<u>2,791</u>	<u>5,310</u>
Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year		
Housing Revenue Account balance	5	-8
Net transfer to(+) or from (-) earmarked reserves	6,418	6,355
	<u>6,423</u>	<u>6,347</u>
Net transfer to (+)/from (-) reserves required by legislation	<u>-12,619</u>	<u>3,756</u>

(a) The Minimum Revenue Provision (MRP) is the statutory charge for capital financing and is based on the opening non-HRA Capital Financing Requirement (CFR). The CFR represents the debt liability within the balance sheet (excluding borrowing applied to loans to group companies), adjusted to take account of differences arising from the financial regime prior to April 2004. It has been calculated in line with the MRP strategy as approved by the Council on 11 February 2016.

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

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

2. EARMARKED RESERVES

	Balance 1.4.15 £'000	Receipts in Year £'000	Payments in Year £'000	Balance 1.4.16 £'000	Receipts in Year £'000	Payments in Year £'000	Balance 31.3.17 £'000
<u>General Fund</u>							
Investment Programme							
Reserves:							
- Investment Strategy Reserve	3,502	923	-97	4,328	2,007	-1,352	4,983
- Information Technology	0	180	-180	0	180	-180	0
Flexibility Reserve	78	10		88	10		98
Freda Ebel Bequest	13			13			13
Insurance Fund	359	150	-6	503	53	-35	521
Community Fund	490	101	-286	305	100	-181	224
Leased Car Relief Vehicle Reserve	10	3		13		-4	9
Parking Reserve	148			148	117	-105	160
Environmental Reserve	35			35			35
Wolsey Place Reserve	8,180	1,175	-1,928	7,427	1,201	-2,303	6,325
Group Company Reserve	750			750			750
Peer grant Reserve	38			38			38
New Homes Bonus Reserve	530	1,025	-400	1,155	843	-646	1,352
Woking Palace Reserve	20	5		25			25
Equipment Reserve	200	50	-20	230	50		280
Westfield Common Reserve	35			35			35
Business Rate Equalisation	1,966	324	-1,391	899	1,300		2,199
Local Council Tax Support	48			48			48
PFI Reserve	333	1,993	-113	2,213	736	-196	2,753
Victoria Square Reserve	0			0	459		459
MTFS Reserve		2,000		2,000	700		2,700
Town Centre Management Agreement Reserve	187	145	-23	309	29		338
	16,922	8,084	-4,444	20,562	7,785	-5,002	23,345
<u>Housing Revenue Account</u>							
Housing Investment Programme	6,272	2,356	-183	8,445	2,309	-587	10,167
Total Earmarked Reserves	23,194	10,440	-4,627	29,007	10,094	-5,589	33,512

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

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

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

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

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

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

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

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

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

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

The Peer grant reserve holds unspent funds relating to this grant.

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

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

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

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

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

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

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

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

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

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

3. USABLE CAPITAL RECEIPTS

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

	2016/17	2015/16
	£000's	£000's
<u>Movements in realised capital resources</u>		
Amounts receivable	13,024	4,548
Transfer of principal repayments (rec'd) from Deferred Capital Receipts	1,352	5,002
Amounts transferred to DCLG for Pooling	-1,616	-547
Amounts used to offset Sale of Council Houses Admin	-33	-33
Amounts applied to finance new capital expenditure	-1,608	-11,877
Total increase/(decrease) in realised capital	11,119	-2,907
Balance brought forward at 1 April	37,247	40,154
Balance carried forward at 31 March	48,366	37,247
Group company loan repayments	43,108	34,249
Held for replacement housing	4,223	2,509
Held for other investment programme use	1,035	489
	48,366	37,247

4. MAJOR REPAIRS RESERVE

The Major Repairs Reserve is credited with the Major Repairs Allowance and is used to fund improvements to the Council's Housing Stock

	2016/17	2015/16
	£000's	£000's
Expenditure financed from the Major Repairs Reserve	-5,430	-5,044
HRA Depreciation transferred from Capital Adjustment	3,871	4,006
Total movement on the Major Repairs Reserve	-1,559	-1,038
Balance brought forward at 1 April	1,559	2,597
Balance carried forward at 31 March	0	1,559

For further information on the Major Repairs Reserve and the Major Repairs Allowance see note 4 to the Housing Revenue Account on page 71.

5. CAPITAL GRANTS UNAPPLIED

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

	2016/17 £000's	2015/16 £000's
Usable capital grants receivable	16,817	572
Capital grant unspent with no conditions transferred from I&E	323	92
Grant income transferred to I&E	-16,817	-572
Use of prior year capital grants to finance capital expenditure	-77	-52
Total movement on Capital Grants Unapplied	246	40
Balance brought forward at 1 April	639	599
Balance carried forward at 31 March	885	639

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.

	2016/17 £000's	2015/16 £000's
<u>Movements in unrealised value of fixed assets</u>		
Gains \ losses(-) on revaluation of fixed assets	23,446	37,765
Depreciation On Revalued Assets	-1,049	-627
Total increase in unrealised capital resources	22,397	37,138
Balance brought forward at 1 April	89,322	52,184
Balance carried forward at 31 March	111,719	89,322

7. PENSIONS RESERVE

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

	2016/17 £000's	2015/16 £000's	
Difference between amounts charged to the Comprehensive Income and Expenditure Statement and actual amounts payable in the year	-874	-1,421	
Actuarial gains/(losses)	-10,422	12,621	
Total movement on the pension reserve	-11,296	11,200	
Balance brought forward at 1 April	-50,725	-61,925	
Balance carried forward at 31 March	-62,021	-50,725	
	Year to 31 March 2017 £'000	Year to 31 March 2016 £'000	Year to 31 March 2015 £'000
Balance brought forward at 1 April	-45,726	-37,086	-31,709
Actuarial Gain/(Losses) recognised in Movement in Reserves Statement	-10,422	-8,640	-5,377
Cumulative Actuarial Gain and Losses at 31 March	-56,148	-45,726	-37,086

For further information on the pension fund, see pensions explanatory notes on pages 77 - 83.

8. CAPITAL ADJUSTMENT ACCOUNT

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

	2016/17 £000's	2015/16 £000's
<u>Amounts applied to Capital Investment:</u>		
Useable receipts applied	1,608	11,877
Amounts applied from Major Repairs Reserve	5,430	5,044
Amounts applied from HIP Reserve	256	0
Revenue reserves applied:		
- Investment strategy reserve	652	98
- Community Fund	66	65
- Insurance reserve	1	1
- IT reserve	180	180
- PFI reserve	165	113
- Wolsey Place reserve	628	97
- Equipment reserve	0	20
Total amounts applied to Capital Investment	8,986	17,495
<u>Amounts transferred to the General Fund</u>		
Write down Revenue Expenditure Funded from Capital by Statute	-13,512	-10,862
Grants and Contributions applied	19,796	2,012
Grant and Contributions applied from prior year grants	77	52
Provision for loan repayment (MRP)	3,667	3,011
Less: Depreciation	-3,057	-3,791
Plus: Depreciation On Revalued Assets	1,049	627
Total transfer to the General Fund	8,020	-8,951
Transfer HRA depreciation to Major Repairs	-3,871	-4,006
Write down of long term debtors	-8,870	-1,150
Disposal Of Fixed Assets	-5,766	-3,392
Investment Property Revaluations	-11,912	2,892
Revaluation increase\decreases recognised in the Provision of Services	-11,182	3,004
Total increase in amounts set aside to finance capital investment	-24,595	5,892
Balance brought forward at 1 April	134,262	128,370
Balance carried forward at 31 March	109,667	134,262

9. DEFERRED CAPITAL RECEIPTS

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

	31 March 2016 £000's	2016/17 Additions £000's	2016/17 Transfer out £000's	31 March 2017 £000's
Butts Road Capital Receipt	1,350	0	-1,350	0
Sale of Council House Mortgages	9	0	-2	7
Deferred Capital Receipts	<u>1,359</u>	<u>0</u>	<u>-1,352</u>	<u>7</u>

10. FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

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

	2016/17 £000's	2015/16 £000's
<u>Movements in financial instruments</u>		
Overhanging premia written off to I&E	16	16
Being adjustment to value of soft loan	-16	162
Being adjustment to I & E to reflect LOBO Effective Interest Rate	<u>214</u>	<u>3</u>
Total adjustment in financial instruments	<u>214</u>	<u>181</u>
Balance brought forward at 1 April	-1,226	-1,407
Balance carried forward at 31 March	<u>-1,012</u>	<u>-1,226</u>

11. EMPLOYEE BENEFITS RESERVE

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

	2016/17 £000's	2015/16 £000's
Movement in year - General Fund	22	6
Movement in year - HRA	<u>7</u>	<u>1</u>
Total adjustment	<u>29</u>	<u>7</u>
Balance brought forward at 1 April	158	151
Balance carried forward at 31 March	<u>187</u>	<u>158</u>

12. COLLECTION FUND ADJUSTMENT ACCOUNT

The Collection Fund Adjustment Account was created in 2009/10 when the Collection Fund was first accounted for on an agency basis. 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 represents the Council's cumulative surplus or deficit on the Collection Fund. In 2013/14 the accounting arrangements for business rates were changed to work in a similar way to Council tax.

	2013/14 £	2014/15 £	2015/16 £	2016/17 £
Council's share of Collection Fund surplus/(deficit):				
- Council tax	80,668	219,306	116,265	136,734
- Business Rates	-1,390,846	-295,313	1,418,905	527,461
			<u>31 March</u>	
			2015 £	2016 £
Balance on Adjustment Account:				2017 £
- Council tax			299,974	335,571
- Business Rates			-1,686,159	1,946,366
			<u>-1,386,185</u>	<u>2,199,365</u>

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT EXPLANATORY NOTES

1. a) EXPENDITURE AND FUNDING ANALYSIS

2016/2017

	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	7,543	1,793	9,336
Place	-2,381	16,929	14,548
Us	5,087	-213	4,874
Council Housing (Housing Revenue Account)	-6,947	30	-6,917
Investment Programme Projects	1,487	-8,454	-6,967
NET COST OF SERVICES	4,789	10,085	14,874
Other income and expenditure	-9,297	7,043	-2,254
(Surplus) or deficit on Provision of Services	-4,508	17,128	12,620

Opening General Fund & HRA Balance at 1 April	30,504
Less Deficit on General Fund & HRA Balance in Year	4,508
Closing General Fund & HRA Balance at 31 March	35,012

Analysed between General Fund & HRA Balances

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

2015/2016

	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	7,406	1,130	8,536
Place	-2,890	3,921	1,031
Us	5,352	-29	5,323
Council Housing (Housing Revenue Account)	-6,921	-14	-6,935
Investment Programme Projects	1,521	5,646	7,167
NET COST OF SERVICES	4,468	10,654	15,122
Other income and expenditure	-10,273	-8,605	-18,878
(Surplus) or deficit on Provision of Services	-5,805	2,049	-3,756

Opening General Fund & HRA Balance at 1 April	24,699
Less Deficit on General Fund & HRA Balance in Year	5,805
Closing General Fund & HRA Balance at 31 March	30,504

Analysed between General Fund & HRA Balances

	General Fund	HRA	Total
Opening General Fund & HRA Balance at 1 April	17,922	6,777	24,699
Less Deficit/(Surplus) on General Fund & HRA Balance in Year	3,640	2,165	5,805
Closing General Fund & HRA Balance at 31 March	21,562	8,942	30,504

1. b) Expenditure and Funding Analysis: Adjustments between Funding and Accounting Basis

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

Notes

i) Column includes depreciation and impairment and gains and losses and Revenue Expenditure Funded from Capital under Statute (REFFCUS).

ii) Column includes pension adjustments required by IAS19.

iii) Column includes:

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

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

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

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

vii) Row includes grants related to Investment Programme Projects and income from the Moor Lane PFI developer in respect of access over WBC property (£1,345,075 in 2016/17 and £836,216 in 2015/16).

Adjustments to arrive at the Comprehensive Income and Expenditure Statement amounts in 2015/16	Adjustments for Capital Purposes (Note i)	Net change for the Pensions Adjustments (Note ii)	Other Differences (Note iii)	Total Adjustments
	£000	£000	£000	£000
People	1,242	-112		1,130
Place	-3,570	-88	7,579	3,921
Us	-643	-87	701	-29
Council Housing (Housing Revenue Account)	183	-110	-87	-14
Investment Programme - REFFCUS (Note vi)	10,859			10,859
Investment Programme - Grants/Other Income (Notes vii)			-5,213	-5,213
	8,071	-397	2,980	10,654
Other income and expenditure from the Funding Analysis (Note v)	-4,603	1,818	-5,820	-8,605
Difference between the General Fund and Comprehensive Income and Expenditure Surplus or Deficit (Note iv)	3,468	1,421	-2,840	2,049

2. AGENCY SERVICES

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

3. OTHER FINANCIAL ADJUSTMENTS

These adjustments are made up as follows:

	<u>2016/17</u>	<u>2015/16</u>
	£'000	£'000
Balance from Salary Cost Units	0	125
Increase in Bad Debts provision	-73	333
Debit/(Credit) on insurance fund	-53	-150
Other miscellaneous transactions	5	-26
	<u>-121</u>	<u>282</u>

4. MEMBERS' ALLOWANCES

Members' Allowances of £288,464 are included in the Comprehensive Income and Expenditure Statement for 2016/17, compared with £305,371 for 2015/16. This includes telephone, broadband, Blackberry/iPad, travel and dependant care allowances. In addition all Members qualify for Car Park Season tickets.

5. OPERATING LEASES

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

	Lease payments 2016/17	Lease payments 2015/16
	£'000	£'000
Property	1,182	1,164
Vehicles	269	215
Other Equipment	14	11
	<u>1,465</u>	<u>1,390</u>

	Lease payments due:		
	Within 1 year	2-5 years	over 5 years
	£'000	£'000	£'000
<u>2016/17</u>			
Property	1,106	2,072	6,094
Vehicles	214	163	
Other Equipment	14	30	
	<u>1,334</u>	<u>2,265</u>	<u>6,094</u>

	Lease payments due:		
	Within 1 year £'000	2-5 years £'000	over 5 years £'000
<u>2015/16</u>			
Property	1,138	3,080	6,155
Vehicles	153	137	
Other Equipment	14	44	
	<u>1,305</u>	<u>3,261</u>	<u>6,155</u>

In addition the Council generates income from property leases, amounting to £12.4m in 2016/17 (£11.8m in 2015/16). Ongoing leases will generate future income of £7.8m in 2017/18, £14m in 2018/19 to 2020/21 and £109m in 2021/22 onwards.

6. RELATED PARTIES

The only material related party relationships involving Members or Chief Officers in 2016/17 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 2016/17, are detailed fully in note 6 and note 7 to the Balance Sheet.

The Council paid Thamesway Energy Limited (TEL) £2.5m for the provision of energy services to council owned properties, £21k to Thamesway Sustainable Communities Limited for consultancy support, £55k to Thamesway Housing for property rental and £497k to Thamesway Maintenance Services Ltd for maintenance and upgrade works. Income of £547k 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), £2.55 million, Thamesway Housing, £26.48 million, Thamesway Developments Ltd on behalf of Thamesway Housing, £34.50 million, Woking Necropolis & Mausoleum Ltd, £1.10 million, and Victoria Square Woking Ltd, £29.70 million, to provide the companies with resources to advance their businesses. In addition the Council invested a further £2 million in Thamesway Ltd share capital, £0.50 million in Woking Necropolis & Mausoleum Ltd and converted £5.5 million of loans in Woking Necropolis & Mausoleum Ltd into shares.

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

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

7. BUILDING CONTROL

	<u>Chargeable</u> £'000	<u>Non</u> <u>Chargeable</u> £'000	<u>Total</u> £'000
<u>Expenditure 2016/17</u>			
Employee expenses	210	184	394
Supplies and services	64	0	64
Central and support service charges	12	11	23
	<u>286</u>	<u>195</u>	<u>481</u>
<u>Income 2016/17</u>			
Building regulation charges	371	0	371
Surplus/Deficit(-) 2016/17	<u>85</u>	<u>-195</u>	<u>-110</u>
<u>Expenditure 2015/16</u>			
Employee expenses	207	180	387
Supplies and services	64	0	64
Central and support service charges	15	14	29
	<u>286</u>	<u>194</u>	<u>480</u>
<u>Income 2015/16</u>			
Building regulation charges	438	0	438
Surplus/Deficit(-) 2015/16	<u>152</u>	<u>-194</u>	<u>-42</u>

8. DEBTS WRITTEN OFF UNDER DELEGATED AUTHORITY

	2015/16 Value £ (Number)	2016/17 Number	2016/17 Value £
Debtors absconded	82,271 (174)	274	98,721
Debtors in liquidation/bankrupt etc.	155,911 (100)	142	258,303
Debtors deceased	45,136 (57)	44	22,070
Debts time barred	58,738 (34)	3	9,005
Debts uneconomical to pursue	80,040 (267)	252	83,040
Debts otherwise irrecoverable	-2,780 (2,034)	1,549	1,073,723
Debts with Credit Balance written off	-30,697 (272)	1,157	-99,920
Debtors Legal Fees written off	6,113 (67)	29	1,686
	<u>394,732 (3,005)</u>	<u>3,450</u>	<u>1,446,628</u>

9. EXTERNAL AUDIT FEES

	<u>2016/17</u> £'000	<u>2015/16</u> £'000
Fees payable to the external auditors:		
in respect of statutory Code of Practice audits	55	55
for the certification of grant claims and returns	10	9
	<u>65</u>	<u>64</u>

10. IMPAIRMENT

There was a £11,182,000 and £12,751,904 revaluation loss recognised in the Surplus/Deficit on the Provision of Services for Other Land and Buildings and Investment Property assets respectively in 2016/17 (£1,835,099 and £11,006,000 in 2015/16). See note 1 in the notes to the Balance Sheet for the overall revaluation movement on these classes of assets. Revaluation losses are charged to the Comprehensive Income and Expenditure Statement for assets which do not have a sufficient balance on the Revaluation Reserve to cover their fall in value. Changes in the fair value of Investment Property are reported separately on the Comprehensive Income and Expenditure Statement.

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

11. EXIT PACKAGES

<u>Cost band</u>	<u>Number of Employees</u>	
	<u>2016/17</u>	<u>2015/16</u>
Upto £9,999	1	2
£10,000 to £19,999	0	5
£20,000 to £29,999	7	3
£30,000 to £39,999	4	1
£40,000 to £49,999	1	3
£50,000 to £59,999	0	0
£60,000 to £69,999	1	1
£70,000 to £79,999	0	0
£80,000 to £89,999	0	0
£90,000 to £99,999	0	0
£100,000 to £109,999	0	0
£110,000 to £119,999	0	0
£120,000 to £129,999	0	0
£130,000 to £139,999	0	0
£140,000 to £149,999	0	0
£150,000 to £199,999	0	0
	<hr/>	<hr/>
	14	15

The total cost of exit packages of £422,223 includes £65,000 for packages that have been agreed, accrued for and charged to the authority's Comprehensive Income and Expenditure Statement in the current year. There were no compulsory redundancies in 2016/17 or 2015/16.

12. REMUNERATION TO EMPLOYEES OVER £50,000

Remuneration band	Number of Employees	
	2016/17	2015/16
£50,000 to £54,999	14	9
£55,000 to £59,999	7	7
£60,000 to £64,999	4	3
£65,000 to £69,999	3	4
£70,000 to £74,999	2	2
£75,000 to £79,999	2	1
£80,000 to £84,999	-	-
£85,000 to £89,999	-	-
£90,000 to £94,999	-	1
£95,000 to £99,999	1	-
£100,000 to £104,999	-	1
£105,000 to £109,999	1	-
£110,000 to £114,999	1	-
£115,000 to £119,999	-	-
£120,000 to £124,999	-	1
£125,000 to £129,999	1	1
£130,000 to £134,999	-	-
£135,000 to £139,999	-	-
£140,000 to £144,999	-	-
£145,000 to £149,999	-	-
£150,000 to £154,999	-	-
	<u>36</u>	<u>30</u>

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

13. PAYMENTS TO SENIOR MANAGERS

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

Post holder information (Post title)	Annual Remuneration (Including fees & allowances)	Compensation for loss of office	Total Remuneration excluding pension contributions 2016/17	Pension contributions	Total Remuneration including pension contributions 2016/17	Total Remuneration including pension contributions 2015/16
	£	£	£	£	£	£
Chief Executive (Note 1)	129,911	0	129,911	0	129,911	142,859
Deputy Chief Executive (Note 1)	114,752	0	114,752	16,748	131,500	139,640
Strategic Director (Note 1)	109,713	0	109,713	15,843	125,556	119,866
Strategic Director (Note 1)	95,274	0	95,274	13,543	108,817	106,277
Head of Democratic and Legal Services (Note 1)	79,304	0	79,304	11,336	90,640	88,409
Finance Director (Chief Finance Officer) (Note 2)	53,439	0	53,439	7,741	61,180	59,429
	582,393	0	582,393	65,211	647,604	656,480

Note 1: Includes payments for Police and Crime Commissioner election, European Union Referendum and Pырford Neighbourhood Plan Referendum duties held during 2016/17.

Note 2: The Finance Director works 26 hours per week. The annualised remuneration is equivalent to £74,135.

14. EXPENDITURE AND INCOME ANALYSED BY NATURE

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

Expenditure/Income	2016/17 £'000	2015/16 £'000
Expenditure		
Employee benefit expenses	17,258	16,908
Other services expenses	62,933	62,313
Depreciation, amortisation, impairment	45,099	12,831
Interest payments	17,527	15,386
Payments to Housing Capital Receipts Pool	1,616	547
Total Expenditure	144,433	107,985
Income		
Fees, charges and other service income	102,906	85,428
Interest and investment income	9,671	8,146
Income from council tax and non-domestic rates	13,149	12,667
Government grants and contributions	6,086	5,500
Total Income	131,812	111,741
Surplus or Deficit on the Provision of Services	12,621	-3,756

BALANCE SHEET EXPLANATORY NOTES

1. MOVEMENT OF FIXED ASSETS

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

	Council Dwellings	Other Land & Buildings	Vehicles and Plant	Community Assets	Investment Properties	Assets Under Construction	Intangible Assets	Heritage Assets	Assets Held For Sale	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost Or Valuation										
At 1 April 2015	252,363	101,315	16,702	19,529	138,513	194	660	746	0	530,022
Additions (b)	7,719	15,950	823	35	3,002	240	51	86	0	27,906
Acc Depreciation & Impairment WO to GCA *	-4,006	-2,373	0	0	0	0	0	0	0	-6,379
Revaluation increases/(decreases) recognised in the Revaluation Reserve (c) & (d)	27,600	10,165	0	0	0	0	0	0	0	37,765
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services (c) & (d)	0	3,004	0	0	2,892	0	0	0	0	5,896
Derecognition - Disposals	-3,392	0	0	0	0	0	0	0	0	-3,392
Derecognition - Other	0	0	0	0	0	0	0	0	0	0
Other Movement In Costs or Valuation	-3,242	4,663			-1,421	0				0
At 31 March 2016	277,042	132,724	17,525	19,564	142,986	434	711	832	0	591,818
Accumulated Depreciation & Impairment										
At 1 April 2015	0	-306	-12,843	0	0	0	-589	0	0	-13,738
Depreciation Charge for 2015/16	-4,006	-2,832	-943		0	0	-16	0	0	-7,797
Acc Depreciation & Impairment WO to GCA *	4,006	2,372	0	0	0	0	0	0	0	6,378
Derecognition - Other	0	0	0	0	0	0	0	0	0	0
At 31 March 2016	0	-766	-13,786	0	0	0	-605	0	0	-15,157
Net Book Value										
At 31 March 2016	277,042	131,958	3,739	19,564	142,986	434	106	832	0	576,661
At 31 March 2015	252,363	101,009	3,859	19,529	138,513	194	71	746	0	516,284

* Full Description: Accumulated Depreciation & Impairment Written Off To Gross Carrying Amount

BALANCE SHEET EXPLANATORY NOTES

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

	2017	2016
	£'000	£'000
General Fund	352,096	299,619
Housing Revenue	293,656	277,042
Net Assets at 31 March	645,752	576,661

	2016/17	2015/16
	£'000	£'000
(b) Total Expenditure on capital investment	194,945	65,139
Less: expenditure where no asset is owned by the Council	-113,512	-37,233
Additions to fixed assets and assets under construction	81,433	27,906

All additions to intangible assets were purchased software licences. Additions to Investment Properties were £43,081,000 acquired assets (£0 in 2015/16) and £2,348,000 subsequent expenditure on owned assets (£3,001,778 2015/16).

Additions includes £207,072 borrowing costs, capitalised in accordance with the Council's policy using the average in year project expenditure and the Council's average borrowing rate.

The significant items of capital expenditure were:	2016/17	2015/16
	£'000	£'000
Renovation, Improvement & Purchase of Council Dwellings	7,095	7,719
Improvement Grants & Other Major Deferred Charges	12,221	0
Loan & Capitalisation Payments To Group Co's & Other Organisations	100,000	26,371
Wolsey Place Investment	1,784	1,549
Lakeview Community Centre	709	0
Ten Acre Farm	1,369	0
SAN VMWare Upgrade	513	0
The Lightbox Transfer	251	1,330
Recognition Of The Fair Value Of The Moor Lane PFI	16,002	13,436
Provincial House Alterations	156	1,246
Hoe Valley School Sports Facilities	8,714	8,976
1 Guildford Road	592	0
Cleary Court	3,569	0
Morris House	4,661	0
6 Church Street West	11,528	0
Orion Gate	22,731	0

(c) Council Dwellings have been revalued as at 31 March 2017. Classes of assets based on type are re-valued on a five year rolling programme as a minimum. Assets are revalued more regularly where a five yearly valuation is insufficient to keep pace with material changes in fair value.

(d) For details of impairment please see note 10 in the Comprehensive Income and Expenditure Statement Explanatory Notes. There was a £5,360,000 net revaluation loss on Other Land & Buildings. £3,426,000 of this was charged directly to the Revaluation Reserve in 2016/17 offsetting previous upward revaluations.

2. INFORMATION ON ASSETS HELD

Woking Borough Council owned the following assets at 31 March:

	2017 Number	2016 Number
Dwellings (HRA and General Fund)	3,338	3,357
Multi-Storey Car Parks	5	5
Surface Car Parks	10	10
Depots	1	1
Parks, Open Spaces, Commons (hectares)	308	308
Allotments (hectares)	16	16
Lake	1	1
Athletics Arena	1	1
Swimming Pools	1	1
Leisure Centre	1	1
Entertainment Centre	1	1
Conference Centre	1	1
General Market	2	2
Public Conveniences	15	15
Centres for the Community	6	6
Recycling Centre	1	1
Land at Brookwood Cemetery	1	1
Shopping Centres	2	2
Shops	36	35
Civic Offices (including Mobility Exchange)	1	1
Neighbourhood Offices	0	0
Community Facilities	30	30
Pavilions	16	16
Other Properties (including investment properties)	45	41
Industrial Estates	6	6
Tennis Centre	1	1
Library	1	1
Childrens' Nurseries	2	2
Theatre Cinema Complex	1	1
Doctors\Dentist Surgeries	5	5
Boat House	1	1
Other miscellaneous Community Assets	17	16
Land for Development (hectares)	11	11

2b. HERITAGE ASSETS

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

	2016/17		2015/16	
	Number	£'000	Number	£'000
Fountains	1	100	1	100
Sculptures and Statues	9	303	9	285
Works of Art and Murals	11	222	11	222
Civic Regalia	4	169	4	169
Town Gates and War Memorial	2	124	2	56
	<u>27</u>	<u>918</u>	<u>27</u>	<u>832</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 2017 or 31 March 2016.

2c. ASSETS HELD FOR SALE

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale.

Assets held for Sale Assets are assets where the:

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

No assets satisfied this criteria as at 31 March 2017 or 31 March 2016.

3. CAPITAL FINANCING

	2016/17	2015/16
	£'000	£'000
<u>Capital Investment</u>		
Property, Plant and Equipment	35,924	24,767
Investment Properties	45,429	3,002
Intangible Assets	62	51
Heritage Assets	18	86
Revenue Expenditure Funded from Capital under Statute	13,512	10,862
Investments in Group/External Companies - Shares	2,507	4,000
	<u>97,452</u>	<u>42,768</u>
Investments in Group Companies - Loans	94,328	18,776
Long Term Debtors	3,165	3,595
	<u>194,945</u>	<u>65,139</u>
<u>Sources of Finance</u>		
Capital Grant and Contributions	19,873	2,064
Borrowing - Capital Investment	52,589	9,772
Borrowing - Other	97,493	22,371
PFI and Similar Contracts	16,002	13,436
Reserves	7,378	5,618
Capital Receipts	1,610	11,877
	<u>194,945</u>	<u>65,138</u>
Opening Capital Financing Requirement	340,902	320,705
Increase in underlying need to borrow (unsupported by government financial assistance)	52,589	9,772
Increase relating to PFI	16,002	13,436
Minimum revenue provision	-3,667	-3,011
Closing Capital Financing Requirement	<u>405,826</u>	<u>340,902</u>

4. CAPITAL COMMITMENTS

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

	2017	2016
	£'000	£'000
Bandstand Redevelopment (Victoria Square)	358,132	11,304
Commercial Way Public Realm	0	834
Lakeview Community Centre Refurbishment	84	793
Hoe Valley School and Community Facilities	25,114	37,062
Hoe Valley Flood Alleviation and Prevention	490	600
Property Acquisition - Cleary Court	0	3,600
Sheerwater Infrastructure Improvements	2,000	2,250
Civic Offices Ground Floor Refurbishment	1,300	0
Woking Integrated Transport Plan	16,801	0
Waste Vehicles - Joint Waste Contract	2,050	0
Brookwood Cemetery Capital Grant	1,000	0
Sheerwater Regeneration	372,000	0
	<u>778,971</u>	<u>56,443</u>

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 2017.

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

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

Investment Properties and Assets Held For Sale are valued at Fair Value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In arriving at the fair value of the asset, the highest and best use of the property is deemed to be its current use. IFRS 13 seeks to increase consistency in the valuation process through the fair value hierarchy. There are three levels of categories within this hierarchy:

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

The Fair Value valuations carried out in 2016/17 were all at level 2. The typical valuation inputs used were:

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

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

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

6. LONG TERM INVESTMENTS

	31 March 2017 £'000	31 March 2016 £'000
<u>Shareholdings in Companies</u>		
Thamesway Limited	24,618	22,618
Woking Necropolis and Mausoleum Limited	6,000	-
Woking Town Centre Management	1	1
Victoria Square Woking Limited	14	7
Local Capital Finance Company	50	50
Surrey Save Credit Union	50	50
	<u>30,733</u>	<u>22,726</u>

Further information about the Council's group companies and joint ventures is shown on pages 87 - 88.

7. LONG-TERM DEBTORS

The Council has granted the following loans to its Group Companies and other organisations. Further details of the Group Company loans made during the year can be found in note 6 to the Comprehensive Income and Expenditure Statement on page 40.

	31 March 2017 £'000	31 March 2016 £'000
Thamesway Energy Limited	14,196	14,648
Thamesway Central Milton Keynes Limited	26,396	24,508
Thamesway Housing Limited	99,752	73,301
Thamesway Solar Limited	1,601	1,732
Woking Necropolis and Mausoleum Limited	-	4,400
Rutland Woking Westminster Court Limited	-	7,600
Victoria Square Woking Limited	45,829	16,127
Peacocks	6,350	6,350
Woking Hospice	7,547	4,569
Tante Marie	1,709	1,457
Butts Road Deferred Capital Receipt	0	1,350
Byfleet Scouts	100	100
Thamesway Developments Limited	34,500	0
Other Long Term Debtors	140	168
Repayments due within 1 year	-1,398	-1,311
	<u>236,722</u>	<u>154,999</u>

Other Long Term Debtors consists of:

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

8. INVENTORIES

	31 March 2017 £'000	31 March 2016 £'000
Stocks and Stores	71	100
Work in Progress	0	0
	<u>71</u>	<u>100</u>

9. DEBTORS AND PREPAYMENTS

	31 March 2017 £'000	31 March 2016 £'000
<u>Government</u>		
Enterprise M3 (EM3)	1,206	
Education Funding Agency (EFA)	1,239	
Other Central Government Bodies	1,911	1,242
<u>Non Government</u>		
Local Tax Payers	1,325	1,474
Housing Rents, Rates & Water	875	728
Rechargeable Works	115	116
Sundry Debtors	10,050	7,026
Prepayments	1,095	701
Accrued Interest on Long Term Debtors	1,436	1,525
Long term Debtors amounts due within 1 year	1,398	1,311
Bad Debt Provision – see below	-2,975	-3,763
	<u>17,675</u>	<u>10,360</u>

The doubtful debts provision was made up of:

	2017 £'000	2016 £'000
Housing Rents	212	157
Other Sundry Debtors	678	1,660
Benefits	972	858
Housing Deposits	552	509
Council Tax	154	162
Business Rates	402	412
Rechargeable Works	5	5
	<u>2,975</u>	<u>3,763</u>

10. CASH AND CASH EQUIVALENTS

	31 March 2017 £'000	31 March 2016 £'000
Cash	2,147	2,017
Standard Life Investments (previously Ignis)	4,000	4,001
Deutsche Bank Advisors	0	4,000
LGIM Fund	4,001	0
	<u>10,148</u>	<u>10,018</u>

11. SHORT TERM INVESTMENTS AND BORROWING

	31 March 2017 £'000	31 March 2016 £'000
<u>Deposits of Temporary Surplus Funds</u>		
North Ayrshire Council	4,000	0
	<u>4,000</u>	<u>0</u>
<u>Short term borrowing</u>		
Barnsley, Doncaster, Rotherham & Sheffield Combined	0	9,028
Crawley Borough Council	0	3,002
London Borough of Ealing	5,005	1,004
Greater Manchester Combined Authority	0	5,004
Gwynedd Council	0	2,001
Surrey County Pension Fund	0	5,002
Humberside Fire and Rescue	0	2,008
North Yorkshire County Council	5,009	0
Exeter City Council	3,004	0
Milton Keynes Council	4,006	0
London Borough of Hackney	3,004	0
Tameside Metropolitan Borough Council	2,003	0
Edinburgh City Council	12,002	0
Greater London Authority	15,003	0
Derbyshire County Council Superannuation	5,001	0
Loans reclassified from long term as due within one year	9,354	15,850
	<u>63,391</u>	<u>42,899</u>
Accrued interest on long term borrowing	4,172	3,613
Amounts held on behalf of Mayors Appeal	15	18
	<u>67,578</u>	<u>46,530</u>

12. CREDITORS AND RECEIPTS IN ADVANCE

	31 March 2017 £'000	31 March 2016 £'000
<u>Government</u>		
Central Government Bodies	4,302	4,452
Other Local Authorities	3,929	3,645
<u>Non Government</u>		
Local Tax Payers	560	566
Housing Rents	369	308
Mortgagees	2	2
Rechargeable Works	83	67
Sundry Creditors	12,685	10,151
	<u>21,930</u>	<u>19,191</u>

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

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

Lender	Loan type	Maturity Date	2017 £'000	2016 £'000
- Barclays Bank	LOBO (next option at 31/07/2016)**	31/07/2076	0	5,149
- Barclays Bank	LOBO (next option at 31/07/2019)**	31/07/2076	0	5,141
- Danske Bank	LOBO (next option at 05/04/2017)*	05/04/2055	5,316	5,319
- Dexia PFB	LOBO (next option at 08/04/2017)*	06/10/2076	5,347	5,348
- Dexia PFB	LOBO (next option at 22/11/2026)*	22/11/2076	5,070	5,070
- Barclays Bank	LOBO (next option at 05/04/2027)**	05/04/2077	0	5,097
Accrued Interest			-301	-479
			<u>15,432</u>	<u>30,645</u>
PWLB:	Fixed rate loan	26/08/2034	5,023	5,023
	Fixed rate loan	04/10/2030	5,116	5,116
	Fixed rate loan	04/10/2031	5,116	5,116
	Fixed rate loan	16/05/2035	5,085	5,085
	Fixed rate loan	16/05/2033	5,083	5,083
	Fixed rate loan	10/01/2056	3,026	3,026
	Fixed rate loan	02/11/2056	6,100	6,100
	Fixed rate loan	10/12/2037	3,041	3,041
	Fixed rate loan	10/12/2042	3,040	3,040
	Fixed rate loan	07/03/2058	3,009	3,009
	Fixed rate loan	04/08/2058	5,034	5,034
	Fixed rate loan	15/02/2058	3,016	3,016
	Fixed rate loan	10/09/2053	3,008	3,008
	Fixed rate loan	10/03/2027	3,007	3,007
	Fixed rate loan	24/08/2019	3,011	3,011
	Fixed rate loan	13/10/2024	4,073	4,073
	Fixed rate loan	02/11/2049	3,053	3,053
	Fixed rate loan	01/12/2039	3,042	3,042
	Fixed rate loan	01/12/2059	4,056	4,056
	Fixed rate loan	21/01/2060	4,034	4,034
	Fixed rate loan	21/01/2053	4,034	4,034
	Fixed rate loan	01/08/2054	5,036	5,036
	Fixed rate loan	01/08/2059	5,036	5,036
	Fixed rate loan	19/07/2016	0	10,070
	Fixed rate loan	19/01/2019	10,082	10,082
	Fixed rate loan	19/09/2053	10,017	10,017
	Fixed rate loan	19/01/2055	10,092	10,092
	Fixed rate loan	19/10/2057	10,210	10,210
	Fixed rate loan	19/01/2059	10,092	10,092
	Fixed rate loan	19/10/2059	8,168	8,168
	Fixed rate loan	10/09/2060	5,012	5,012
	Fixed rate loan	28/09/2034	5,002	5,002
	Fixed rate loan	22/12/2061	5,056	5,056
	Fixed rate loan	20/01/2062	5,039	5,039
	Fixed rate loan	12/03/2025	5,010	5,010
	Fixed rate loan	01/09/2060	10,030	10,030
	Fixed rate loan	02/09/2058	10,029	10,029
	Fixed rate loan	01/09/2061	10,030	10,030

PWLB:	Fixed rate loan	01/03/2060	10,030	10,030
	Fixed rate loan	01/09/2059	10,030	10,030
	Fixed rate loan	03/03/2059	10,028	10,028
	Fixed rate loan	01/03/2061	10,030	10,030
	Fixed rate loan	01/03/2062	18,059	18,059
	Fixed rate loan	01/09/2056	10,030	10,030
	Fixed rate loan	05/10/2026	1,652	1,799
	Fixed rate loan	13/05/2038	5,072	5,072
	Fixed rate loan	22/03/2037	5,005	5,005
	Fixed rate loan	04/10/2040	5,104	5,104
	Fixed rate loan	04/11/2063	5,085	5,085
	Fixed rate loan	19/12/2017	7,646	7,646
	Fixed rate loan	24/04/2034	1,389	1,444
	Fixed rate loan	20/11/2064	5,066	5,066
	Fixed rate loan	27/11/2064	6,074	6,074
	Fixed rate loan	01/05/2064	5,072	5,072
	Fixed rate loan	02/05/2063	3,043	3,043
	Fixed rate loan	15/12/2062	3,030	3,030
	Fixed rate loan	18/07/2062	3,019	3,019
	Fixed rate loan	20/03/2063	2,002	2,002
	Fixed rate loan	12/08/2065	2,008	2,008
	Fixed rate loan	28/09/2065	5,002	5,002
	Fixed rate loan	19/10/2064	9,639	9,639
	Fixed rate loan	18/11/2065	2,024	2,024
	Fixed rate loan	08/12/2065	2,020	2,020
	Fixed rate loan	19/01/2066	2,515	2,515
	Fixed rate loan	11/02/2065	3,012	3,012
	Fixed rate loan	17/06/2066	10,074	0
	Fixed rate loan	20/04/2066	10,112	0
	Fixed rate loan	30/06/2066	3,018	0
	Fixed rate loan	21/09/2066	4,003	0
	Fixed rate loan	10/11/2066	8,077	0
	Fixed rate loan	16/11/2021	25,147	0
	Fixed rate loan	30/11/2066	9,079	0
	Fixed rate loan	11/02/2067	12,042	0
	Fixed rate loan	28/02/2067	20,047	0
	Fixed rate loan	02/03/2067	10,022	0
	Fixed rate loan	27/03/2067	5,002	0
	Accrued Interest (shown within short term borrowing)		-3,648	-3,098
	Loan reclassified from long term to short term as due within one year		-8,954	-10,200
			<u>463,655</u>	<u>356,608</u>
Bournemouth BC	Fixed rate loan	14/10/2016	0	5,286
LB of Wandsworth	Fixed rate loan	14/11/2018	6,364	0
LB of Hackney	Fixed rate loan	19/11/2021	3,517	0
Cornwall Council	Fixed rate loan	04/01/2022	6,019	0
Barclays Bank**	Fixed rate loan	31/07/2076	5,039	0
Barclays Bank**	Fixed rate loan	31/07/2076	5,039	0
Barclays Bank**	Fixed rate loan	05/04/2077	5,096	0

Enterprise M3 (LEP) Interest free loan	31/12/2018	792	1,175
Accrued Interest (shown within short term borrowing)		-224	-36
Loan reclassified from long term to short term as due within one year		-400	-5,650
		<u>31,242</u>	<u>775</u>
		<u>510,329</u>	<u>388,028</u>

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

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

14. CAPITAL GRANTS RECEIPTS IN ADVANCE

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

	2017	2016
	£'000	£'000
Capital grants receivable	1,779	2,850
Use of grant to finance capital expenditure	-3,300	-1,533
Use of grant to finance revenue projects	<u>-102</u>	<u>-166</u>
Total movement on Capital Grants	<u>-1,623</u>	<u>1,151</u>
Balance brought forward at 1 April	9,031	7,880
Balance carried forward at 31 March	7,408	9,031

Of the total grants received in advance, £7,176,000 relates to contributions from developers (2015/16 in £8,589,000).

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

15. COLLECTION FUND

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

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

16. PROVISIONS

The Council is the subject of claims resulting from charging for personal searches and has made a provision of £22,993 in respect of these potential future liabilities (£36,763 in 2015/16). A provision of £1,423,729 has been made in 2016/17 (£2,441,956 in 2015/16) in respect of the Council's share of business rates valuation appeals which were previously met from the national pool and over which there is uncertainty as they are determined by the Valuation Office (not by the Council).

17. CONTINGENT LIABILITIES

(i) Woking Football Club

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

(ii) Municipal Mutual Insurance

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

A review of the potential liabilities was undertaken by MMI's administrators at 31 March 2017. The review identified that the maximum cost for Woking was £1,033,601 (£679,287 at 31 March 2016).

The Council's Insurance Fund was previously enhanced to cover any potential shortfall when MMI ceased to trade. This position was reviewed during the year, and will be kept under review during 2017/18.

18. COMMITMENTS

The Council had no external commitments at 31 March 2017 (or 31 March 2016).

19. THE COUNCIL AS TRUSTEE

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

20. EVENTS AFTER THE BALANCE SHEET DATE

Events arising after the balance sheet date are reflected in the accounts if they provide additional evidence of a condition that existed at the balance sheet date and materially affect the accounts. Events which occur after the balance sheet date and concern conditions which did not exist at the time are detailed in notes to the accounts. Events are considered up until 30 September 2017, the date of approval of the accounts. At 30 June 2017 no such events had occurred.

21. COMPLIANCE

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

22. FINANCIAL INSTRUMENT BALANCES

	<u>Long-term</u>		<u>Current</u>	
	31st March 2017 £'000	31st March 2016 £'000	31st March 2017 £'000	31st March 2016 £'000
Borrowings				
Financial liabilities at amortised cost	<u>553,424</u>	<u>422,902</u>	<u>54,064</u>	<u>27,068</u>
	<u>553,424</u>	<u>422,902</u>	<u>54,064</u>	<u>27,068</u>
Investments				
Loans and receivables	<u>0</u>	<u>0</u>	<u>10,148</u>	<u>10,018</u>
	<u>0</u>	<u>0</u>	<u>10,148</u>	<u>10,018</u>

23. FINANCIAL INSTRUMENTS GAINS/LOSSES

2016/17

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

2015/16

	<u>Financial Liabilities</u>		<u>Financial Assets</u>		Total
	Liabilities measured at amortised cost	Loans and receivables	Available for sale assets	Fair value through I&E	
	£'000	£'000	£'000	£'000	
Interest expense	15,386	-	-	-	15,386
Losses on derecognition	-	-	-	-	0
Impairment losses	-	-	-	-	-
Interest payable & similar	15,386	-	-	-	15,386
Interest income	-	1,375	-	-	1,375
Gains on derecognition	-	-	-	-	-
Interest & Investment income	-	1,375	-	-	1,375
Gains on revaluation	-	-	-	-	-
Losses on revaluation	-	-	-	-	-
Recycled to the I&E account after impairment	-	-	-	-	-
Surplus arising on revaluation of financial assets	-	-	-	-	-
Net gain/loss for the year	-15,386	1,375	-	-	-14,011

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

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

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

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

The calculations are made with the following assumptions:

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

	31st March 2017		31st March 2016	
	Carrying amount £'000	Fair Value £'000	Carrying amount £'000	Fair Value £'000
PWLB - maturity	431,103	557,315	366,662	440,429
PWLB - annuity	45,152	46,420	3,243	3,459
LOBOs	15,732	24,281	31,125	42,191
Market Loans	85,110	95,793	32,335	32,277
LEP Loan	800	792	1,200	1,175
Short term borrowing	15	15	19	19
Finance Lease	29,563	n/a	15,386	n/a
Financial Liabilities	607,475	724,616	449,970	519,550

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

	31st March 2017		31st March 2016	
	Carrying amount £'000	Fair Value £'000	Carrying amount £'000	Fair Value £'000
Cash	10,148	10,148	10,018	10,018
Financial Assets	10,148	10,148	10,018	10,018

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

25. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

Credit Risk

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

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

	Amounts at 31 March 2017 £000s	Historical experience of default %	Historical experience adjusted for market conditions as at 31 March 2017 %	Estimated maximum exposure to default and uncollectability £000s
Deposits with banks and other institutions	10,148	-	-	-
Customers	16,721	10.68	10.68	1,786
	<u>26,869</u>			<u>1,786</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. £5.9m of the £7.9m 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 2017 £000s	31 March 2016 £000s
Less than 3 months	3,765	2,642
3 to 6 months	1,187	322
6 months to 1 year	223	403
More than 1 year	733	1,624
	<u>5,908</u>	<u>4,991</u>

Liquidity Risk

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

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

	On 31 March 2017 £000s	On 31 March 2016 £000s
Public Works Loans Board	472,608	366,807
Market debt/LOBOs	99,850	62,250
LEP Loan	800	1,200
Temporary borrowing	15	19
Other		
	<u>573,273</u>	<u>430,276</u>
Less than 1 year	68,365	42,669
Between 1 and 2 years	10,400	8,000
Between 2 and 5 years	37,500	13,400
Between 5 and 10 years	13,635	9,000
More than 10 years	443,373	357,207
	<u>573,273</u>	<u>430,276</u>

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

Market Risk

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

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

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

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

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

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

	2017 £000s	2016 £000s
Increase in interest payable on variable rate borrowings	100	50
Increase in interest receivable on variable rate investments	17	16
Net increased income in Comprehensive Income and Expenditure Statement	<u>117</u>	<u>66</u>
Share of overall interest cost debited to the HRA	<u>29</u>	<u>18</u>
Decrease in fair value of fixed rate borrowing liabilities	119,710	83,400

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

26. PUBLIC FINANCE INITIATIVE

For 25 years Kier Partnership Homes will design, build and maintain 224 homes, in return for an agreed unitary charge, after which the assets will revert back to the Council. These homes will be leased for 125 years by the Council to Thames Valley Housing Association ('TVHA'), who will own the tenancies, provide landlord services and account for rental income directly. The Council retains nomination rights over the properties. TVHA has the opportunity to nominate its own tenants following an unsuccessful Council nomination procedure. The fair values of each class of financial assets and liabilities which are carried in the balance sheet at amortised cost are disclosed below. The fair value of an instrument is determined by calculating the Net Present Value of future cash flows, which provides an estimate of the value of payments in the future in today's terms. The discount rate used in the NPV calculation is the rate applicable in the market on the date of valuation for an instrument with the same structure, terms and remaining duration. As at 31 March 2017, 224 out of 224 units had been completed and handed over (108 units as at 31 March 2016).

a. Assets recognised under the PFI arrangement:

	2016/17	2015/16
Cost	£000s	£000s
As at 1 April	14,812	1,376
Additions	16,002	13,436
As at 31 March	<u>30,814</u>	<u>14,812</u>
Depreciation		
As at 1 April	28	-
Charged in year	296	28
As at 31 March	<u>324</u>	<u>28</u>
Net Book Value		
As at 31 March	30,490	14,784
As at 1 April	14,784	1,376

b. Liabilities arising from PFI and similar contracts:

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

	2016/17	2015/16
	£000s	£000s
As at 1 April	14,476	1,376
New lease liability recognised	16,002	13,436
Finance lease liability redemption payments during the year	- 913	- 336
As at 31 March	<u>29,565</u>	<u>14,476</u>

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

The Council was committed at 31 March 2017 to making the following payments under the PFI scheme:

	Repayments of Liability	Interest	Lifecycle replacement costs	TOTAL
	£000s	£000s	£000s	£000s
Due within one year	886	2,190	13	3,089
Due within 2-5 years	4,206	8,048	101	12,355
Due within 6-10 years	6,974	8,044	426	15,444
Due within 11-15 years	8,229	5,207	2,007	15,443
Due within 16-20 years	7,023	2,194	6,226	15,443
Due within 21-25 years	2,246	199	2,577	5,022
	<u>29,564</u>	<u>25,882</u>	<u>11,350</u>	<u>66,796</u>

NOTES TO THE CASH FLOW STATEMENT

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

1. RECONCILIATION OF NET CASH FLOW FROM OPERATING ACTIVITIES

	2016/17	2015/16
	£'000	£'000
Net surplus/(deficit) on the provision of services		-12,619
<u>Less</u>		
Depreciation, impairment and amortisation		3,756
- General Fund	3,057	3,792
- HRA	<u>3,871</u>	4,006
		6,928
Revaluation gain on Investment Property		11,913
Reversal of NCA historic losses with subsequent gains		-2,892
Capital items charged/(credited) to General Fund Balance		11,182
Net increase/(decrease) in other current assets and liabilities		-3,004
Net increase/(decrease) in Provisions (Long Term Liabilities)		-5,460
Net charges for retirement benefits in accordance with IAS19		8,435
Other non-cash items		-3,095
Net cash flow from Operating Activities		<u>8,617</u>
		<u>20,444</u>

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

	£'000
Decrease/(increase) in cash and equivalents for the year	-130
Cash inflow/(outflow) from the increase/(decrease) in long term debt	116,000
Cash inflow/(outflow) from the increase/(decrease) in temporary debt	26,996
Cash inflow/(outflow) from the (increase)/decrease in liquid resources	-4,000
Change in Net Debt arising from Cashflows	<u>138,866</u>
Change in net debt arising from non-cash items	353
Net debt at 31.3.16	<u>424,540</u>
Net debt at 31.3.17	<u>563,759</u>

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

	As at 31.3.16	Inflows	Outflows	Movement in Non-cash items	As at 31.3.17
	£'000	£'000	£'000	£'000	£'000
Temporary loans	-46,530	-114,000	87,004	5,948	-67,578
Long term loans	-388,028	-131,850	15,850	-6,301	-510,329
Temporary investments (net)	0	4,000		0	4,000
Cash	10,018	130			10,148
	<u>-424,540</u>	<u>-241,720</u>	<u>102,854</u>	<u>-353</u>	<u>-563,759</u>

4. LIQUID ASSETS

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

5. SIGNIFICANT CASH TRANSACTIONS DURING THE YEAR

Long term loans totalling £131.9 million were raised under the Prudential Code for Local Authority Borrowing to assist in achieving the Council's affordable housing, sustainability and other service priorities (£26 million in 2015/16).

The Council provided loans to its group companies, joint ventures and external organisations of £97.5 million in 2016/17 (£24.3 million in 2015/16).

6. ANALYSIS OF GOVERNMENT GRANTS

	2016/17 £'000	2015/16 £'000
Housing Improvements	908	470
Syrian Refugee Families	333	0
Electoral Registration	19	0
Environmental	0	2
Safer Woking Partnership	7	2
Geocoupled District Energy	0	29
Sports Development	14	5
Countryside	10	10
	<u>1,291</u>	<u>518</u>

7. INTEREST AND DIVIDENDS

Interest cash flows contained in the Net surplus/deficit on the provision of services (operating activities) are shown below. There were no dividends paid or received in 2016/17 or 2015/16.

	2016/17 £'000	2015/16 £'000
Interest paid	15,961	15,155
Interest received	9,108	7,764

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE ACCOUNT

	2016/17	2015/16
	£'000	£'000
Income		
Gross Rental Income		
- Dwelling Rents & Service Charges	-18,971	-19,022
Charges for services and facilities	-457	-484
Contribution towards expenditure	-214	-262
TOTAL INCOME	-19,642	-19,768
Expenditure		
Repairs and Maintenance	1,856	1,840
Supervision and Management	6,982	6,959
Rents, Rates, Taxes and other Charges	15	27
Depreciation and impairments of fixed assets	3,871	4,006
Debt Management Costs (note 8)	31	13
TOTAL EXPENDITURE	12,755	12,845
NET COST OF HRA SERVICES INCLUDED IN THE WHOLE AUTHORITY COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT	-6,887	-6,923
HRA services share of Corporate and Democratic Core	0	0
HRA share of other amounts included in the whole authority Net Cost of Services but not allocated to specific services	0	0
NET COST OF HRA SERVICES	-6,887	-6,923
Interest payable and similar charges (note 8)	4,636	4,623
Amortisation of premiums and discounts (note 8)	30	30
Interest and investment income (note 8)	-4	-6
Pensions interest cost and expected return on pensions assets (note 7)	352	395
SURPLUS (-) OR DEFICIT FOR THE YEAR ON HRA SERVICES	-1,873	-1,881

STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE

	2016/17 £'000	2015/16 £'000
Surplus(-) or deficit for the year on the HRA income and expenditure account	-1,873	-1,881
Adjustments between the accounting basis and the funding basis required under regulations (see analysis below)	-167	-285
Net increase(-) or decrease before transfers to/from reserves	-2,040	-2,166
Transfer to HIP reserve	2,035	2,174
Increase(-) or decrease in Housing Revenue Account Balance for the Year	-5	8
Balance on Housing Revenue Account brought forward	497	505
Balance on Housing Revenue Account carried forward	502	497

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

	2016/17 £'000	2015/16 £'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	15	
Adjustments made for accumulated absences	-7	-1
Net charges made for retirement benefits in accordance with IAS19	-175	-284
	<u>-167</u>	<u>-285</u>

The Housing Revenue Account (HRA) Income and Expenditure Account on page 68 shows the Council's activities during 2016/17 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 3,334 dwellings (including Shared Ownership properties) at 31 March 2017, as compared with 3,345 at 31 March 2016, made up of:

	2017	2016
Houses	1,652	1,666
Flats (including maisonettes)	1,430	1,426
Bungalows	252	253
	3,334	3,345

2. STOCK VALUES

	Value @ 31.3.16 £'000	Movement £'000	Value @ 31.3.17 £'000
<u>Operational Assets</u>			
Housing Property	275,950	16,571	292,521
Leasehold Property	1,093	43	1,136
	277,043	16,614	293,657
<u>Non Operational Assets</u>			
Development Land	6,900	0	6,900
	6,900	0	6,900
TOTAL	283,943	16,614	300,557

The vacant possession value of dwellings within the authority's Housing Revenue Account (HRA) as at 1 April 2017 was £869,046,688 (£845,435,596 at 1 April 2016).

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

£3,871,000 depreciation was charged to the HRA in 2016/17:

	2016/17 £'000	2015/16 £'000
<u>Depreciation</u>		
Dwellings	3,871	4,006
TOTAL	3,871	4,006

3. CAPITAL EXPENDITURE

The total capital expenditure on property within the authority's HRA during 2016/17 was £7.80m (2015/16, £7.95m)

	2016/17	2015/16
	£'000	£'000
<u>Capital Expenditure</u>		
Houses	7,796	7,959
TOTAL	<u>7,796</u>	<u>7,959</u>

	2016/17	2015/16
	£'000	£'000
<u>Source of Funding</u>		
Major Repairs Reserve	5,430	5,044
Grants	20	68
General Reserve	500	0
Borrowing	1,113	0
HIP Reserve	256	0
Capital Receipts	477	2,847
TOTAL	<u>7,796</u>	<u>7,959</u>

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

	2016/17	2015/16
	£'000	£'000
Houses	4,167	3,381
Land	0	11
TOTAL	<u>4,167</u>	<u>3,392</u>

4. MAJOR REPAIRS RESERVE

Local Authorities are required by the Accounts and Audit Regulations 2003, to establish and maintain a Major Repairs Reserve. The main credit to the reserve is an amount equal to HRA depreciation.

The authority's Major Repairs Allowance of £3,871,000 for the financial year 2016/17 has been used as a reasonable estimate of depreciation for HRA properties. In line with the Code, non operational investment properties are not subject to depreciation. The Major Repairs Allowance is a notional allowance for capital expenditure to maintain the Council's housing stock. This is based on the uplifted allowance used in the self-financing valuation determined by central government.

The movement on the Major Repairs Reserve for the financial year 2016/17 was as follows:

	2016/17	2015/16
	£'000	£'000
<u>Major Repairs Reserve</u>		
Balance @ 1 April	1,559	2,597
Expenditure financed from Major Repairs Reserve	-5,430	-5,044
Depreciation transferred from Capital Adjustment Account	3,871	4,006
Balance @ 31 March	<u>0</u>	<u>1,559</u>

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

5. RENT ARREARS

Rent arrears at 31 March were as follows:-

	<u>2017</u>	<u>2016</u>
	£	£
Current Tenants	367,220	304,743
Former Tenants	136,517	97,208
Total	<u>503,737</u>	<u>401,951</u>

Arrears as a % of Gross Rent Income 2.59% 2.06%

A provision of £212,202 has been made in respect of uncollectable debts.

6. RENT REBATES SUBSIDY LIMITATION

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

Rent Rebates and the associated housing benefit subsidy are accounted for outside of the HRA, in the Council's GF. Housing benefit subsidy is reduced by any limitation, and a transfer is made from the HRA to the GF to cover the lost subsidy cost of rents exceeding the limit rent. A transfer was not made in 2016/17 as the average rent did not exceed the limit rent.

7. PENSIONS

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

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

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

	2016/17	2015/16
	£'000	£'000
Net Cost of Services:		
▪ Service cost	463	531
▪ Past service costs (including curtailments)	23	27
	<u>486</u>	<u>558</u>
Net Operating Expenditure:		
▪ Interest cost	960	953
▪ Expected return on assets in the scheme	-608	-558
	<u>352</u>	<u>395</u>
▪ Net liability on HRA I&E	-838	-953

▪ Employers' contributions payable to scheme	600	603
▪ Contribution in respect of unfunded benefits	63	66
▪ Movement on pensions reserve	<u>-175</u>	<u>-284</u>
TOTAL	<u>663</u>	<u>669</u>

Actual amounts charged against rents for pensions in the year

Employers' contributions payable to scheme	600	603
Contributions in respect of unfunded benefits	63	66
	<u>663</u>	<u>669</u>

The employers' contribution payable to the scheme is shown within Supervision and Management. The adjustment of £177,000 represents the difference between the cash contributions payable to the scheme (£663,000) and service costs (£486,000).

8. ITEM 8

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

**COLLECTION FUND
INCOME AND EXPENDITURE STATEMENT**

Actual 2015/16				Actual 2016/17		
Council Tax	Business Rates	Total		Council Tax	Business Rates	Total
£'000	£'000	£'000		£'000	£'000	£'000
66,385	0	66,385	INCOME	69,609		69,609
0	48,619	48,619	Council Tax Receivable (Note 1)	0	47,658	47,658
66,385	48,619	115,004	Business Rates Receivable (net of TPP*)	69,609	47,658	117,267
			TOTAL INCOME			
			EXPENDITURE			
			<u>Apportionment of Previous Year Surplus/(deficit)</u>			
0	-1,738	-1,738	Central Government	0	138	138
81	-1,391	-1,310	Woking Borough Council	219	111	330
452	-348	104	Surrey County Council	1,222	28	1,250
80	0	80	Surrey Police and Crime Commissioner	217		217
613	-3,477	-2,864		1,658	277	1,935
			<u>Precepts, Demands and Shares</u>			
0	22,870	22,870	Central Government	0	23,770	23,770
8,613	18,296	26,909	Woking Borough Council	9,059	19,015	28,074
48,001	4,574	52,575	Surrey County Council	50,556	4,754	55,310
8,496	0	8,496	Surrey Police and Crime Commissioner	8,777		8,777
65,110	45,740	110,850		68,392	47,539	115,931
			<u>Charges to Collection Fund</u>			
261	-109	152	Write Offs / Write Backs (-) of uncollectable amounts	175	218	393
136	130	266	Increase / Decrease (-) in Bad Debt Provision	-21	-27	-48
0	-825	-825	Increase / Decrease (-) in Provision for Appeals	0	-2,546	-2,546
0	136	136	Cost of Collection	0	138	138
0		0	Interest	0	2	2
397	-668	-271		154	-2,215	-2,061
66,120	41,595	107,715	TOTAL EXPENDITURE	70,204	45,601	115,805
265	7,024	7,289	SURPLUS / DEFICIT (-) ARISING DURING THE YEAR	-595	2,057	1,462
2,271	-4,215	-1,944	SURPLUS / DEFICIT (-) B/FWD AT 1ST APRIL	2,536	2,809	5,345
2,536	2,809	5,345	SURPLUS / DEFICIT (-) C/FWD AT 31ST MARCH	1,941	4,866	6,807

*TPP = Transitional protection payment from government (-£2 in 2016/17, £53,939 in 2015/16)

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 2016/17 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	265.25	6	176.83	302.43
Band B	2,765.50	7	2,150.94	3,678.61
Band C	9,299.25	8	8,266.00	14,136.76
Band D	10,913.50	9	10,913.50	18,664.60
Band E	5,528.25	11	6,756.75	11,555.60
Band F	3,866.75	13	5,585.31	9,552.16
Band G	4,766.00	15	7,943.33	13,584.93
Band H	684.50	18	1,369.00	2,341.30
			43,161.67	73,816.38
Less allowance for losses on collection, appeals and Council Tax Support			-3,299.67	-5,643.19
Council Tax Base and Expected yield			39,862.00	68,173.19

The actual yield for the year was £69.434m; the difference of £1,261,000 between the actual and the predicted yield can be attributed to variances in the collection rate, discounts and support allowed and changes in property numbers in each Band between the date of estimated yield and the year end.

The Council tax yield of £69.434m is reflected in the Income and Expenditure Account as follows:

	2016/17 £'000	2015/16 £'000
Council tax income	69,609	66,385
Less write offs	-175	-261
Yield	69,434	66,124

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 2016/17 the Band D equivalent was 43,161.67. 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 39,862.00 for the whole of the Borough.

3. INCOME FROM BUSINESS RATES

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

The total non-domestic rateable value at 30 September 2015 was £111.6 million and the multipliers for the year were:

Non-domestic rating multiplier	0.497	pence
Small business non-domestic rating multiplier	0.484	pence

From 1st April 2013 Business Rates Retention was introduced whereby local authorities retain 50% of the business rates collected for the area (Woking Borough Council (40%); Surrey County Council (10%)) and pay the remaining 50% to central government. In addition the government set a level of business rates funding deemed to be applicable to each area and every Council receives a top-up if business rates collected are below this level, or pays a tariff if business rates collected are above this level. In 2016/17 Woking Borough Council paid a tariff of £15,929,928 (£15,573,045 in 2015/16). This tariff is contained within the non domestic rates income and expenditure line in the Comprehensive Income and Expenditure Statement.

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

In 2016/17 Woking Borough Council is projected to pay a levy of £1,302,498 (£1,337,928 was paid in 2015/16). The Council will be able to offset this levy by circa £644,000 (£623,943 in 2015/16) which is the benefit derived from joining a pool with other local authorities. The levy for 2016/17 is contained within the non domestic rates income and expenditure line in the comprehensive income and expenditure statement. This line also contains £110,557 which is part of the Council's share of prior year surpluses, the remainder of which will be paid to the account in future years. The overall amount of £1.3m that has been paid to the Council in 2016/17 in excess of what was forecast has been transferred to the Business Rates Equalisation Reserve for the purpose of mitigating the risks arising from the introduction of the 100% business rate retention scheme.

4. DISTRIBUTION OF THE COLLECTION FUND BALANCE

The Collection Fund Balance at 31 March 2017 was £6,807,199 (£5,344,537 at 31 March 2016). The Council Tax element of this is payable to Woking Borough Council, Surrey County Council and Surrey Police and Crime Commissioner in proportion to their precepts on the Fund. The Business Rates Surplus or Deficit is split based on nationally determined percentages between Central Government (50%), Woking Borough Council (40%) and Surrey County Council (10%).

	2015/16 Surplus/ Deficit (-) £	2016/17 Surplus/ Deficit (-) £	Total @ 31 March 2017 £
<u>Council Tax</u>			
Woking Borough Council	116,265	136,734	252,999
Surrey County Council	648,840	793,049	1,441,889
Surrey Police and Crime Commissioner	112,647	133,750	246,397
	<u>877,752</u>	<u>1,063,533</u>	<u>1,941,285</u>
<u>Business Rates</u>			
Central Government	1,773,631	659,326	2,432,957
Woking Borough Council	1,418,905	527,461	1,946,366
Surrey County Council	354,726	131,865	486,591
	<u>3,547,262</u>	<u>1,318,652</u>	<u>4,865,914</u>
Collection Fund Balance			<u><u>6,807,199</u></u>

PENSIONS EXPLANATORY NOTES

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

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

Changes to IAS19

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

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

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

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

Period ended 31 March 2017	Assets £'000	Obl- gations £'000	Net (liability) / asset £'000
Fair Value of employer assets	87,625		87,625
Present value of funded liabilities		133,110	-133,110
Present value of unfunded liabilities		5,240	-5,240
Opening position as at 31 March 2016	<u>87,625</u>	<u>138,350</u>	<u>-50,725</u>
Service Cost			
Current service cost*		2,317	-2,317
Past service cost (including curtailments)		113	-113
Total Service Cost	<u>0</u>	<u>2,430</u>	<u>-2,430</u>

Net interest			
Interest income on plan assets	3,040		3,040
Interest cost on defined benefit obligation		4,799	-4,799
Total net interest	3,040	4,799	-1,759
Total defined benefit cost recognised in Profit or (Loss)	3,040	7,229	-4,189
Cashflows			
Plan participants' contributions	647	647	0
Employer contributions	2,998		2,998
Contributions in respect of unfunded benefits	317		317
Benefits paid	-5,050	-5,050	0
Unfunded benefits paid	-317	-317	0
Expected closing position	89,260	140,859	-51,599
Remeasurements			
Changes in demographic assumptions		-2,011	2,011
Changes in financial assumptions		25,349	-25,349
Other experience		-1,136	1,136
Return on assets excluding amounts included in net interest	11,780		11,780
Total remeasurements recognised in Other Comprehensive Income	11,780	22,202	-10,422
Fair value of plan assets	101,040		101,040
Present value of funded liabilities		157,633	-157,633
Present value of unfunded liabilities**		5,428	-5,428
Closing position as at 31 March 2017	101,040	163,061	-62,021

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

** This liability comprises of approximately £5,438,000 in respect of LGPS unfunded pensions. For unfunded liabilities as at 31 March 2017, it is assumed that all unfunded pensions are payable for the remainder of the member's life. It is further assumed that 90% of pensioners are married (or cohabiting) at death and that their spouse (cohabitee) will receive a pension of 50% of the member's pension as at the date of the member's death.

Information about the Defined benefit obligation as at 31 March 2017:

	Liability split (£'000)	Liability split (%)	Weighted Average Duration
Active members	47,064	29.9%	22.4
Deferred members	33,713	21.4%	22.2
Pensioner members	76,856	48.8%	11.6
Total	157,633	100.0%	16.1

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

Changes in the Fair Value of Plan Assets, Defined Benefit Obligation and Net Liability for year end 31 March 2016

Period ended 31 March 2016

	Assets	Obliga- tions	Net (liability) / asset
	£'000	£'000	£'000
Fair Value of employer assets	87,779		87,779
Present value of funded liabilities		143,900	-143,900
Present value of unfunded liabilities		5,804	-5,804
Opening position as at 31 March 2015	<u>87,779</u>	<u>149,704</u>	<u>-61,925</u>
Service Cost			
Current service cost*		2,656	-2,656
Past service cost (including curtailments)		137	-137
Total Service Cost	<u>0</u>	<u>2,793</u>	<u>-2,793</u>
Net interest			
Interest income on plan assets	2,792		2,792
Interest cost on defined benefit obligation		4,765	-4,765
Total net interest	<u>2,792</u>	<u>4,765</u>	<u>-1,973</u>
Total defined benefit cost recognised in Profit or (Loss)	<u>2,792</u>	<u>7,558</u>	<u>-4,766</u>
Cashflows			
Plan participants' contributions	626	626	0
Employer contributions	3,015		3,015
Contributions in respect of unfunded benefits	330		330
Benefits paid	-4,721	-4,721	0
Unfunded benefits paid	-330	-330	0
Expected closing position	<u>89,491</u>	<u>152,837</u>	<u>-63,346</u>
Remeasurements			
Changes in financial assumptions		-12,106	12,106
Other experience		-2,381	2,381
Return on assets excluding amounts included in net interest	-1,866		-1,866
Total remeasurements recognised in Other Comprehensive Income	<u>-1,866</u>	<u>-14,487</u>	<u>12,621</u>
Fair value of plan assets	87,625		87,625
Present value of funded liabilities		133,110	-133,110
Prevent value of unfunded liabilities		5,240	-5,240
Closing position as at 31 March 2016	<u>87,625</u>	<u>138,350</u>	<u>-50,725</u>

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

Assets

Asset category	Period Ended 31 March 2017				Period Ended 31 March 2016			
	Quoted prices in active markets	Quoted prices not in active markets	Total	Percentage of Total Assets	Quoted prices in active markets	Quoted prices not in active markets	Total	Percentage of Total Assets
	£'000	£'000	£'000	%	£'000	£'000	£'000	%
Equity Securities:								
Consumer	8,197.3		8,197.3	8%	7,038.8		7,038.8	8%
Manufacturing	7,430.8		7,430.8	7%	5,356.7		5,356.7	6%
Energy and Utilities	4,073.5		4,073.5	4%	2,461.8		2,461.8	3%
Financial Institutions	7,147.8		7,147.8	7%	6,262.4		6,262.4	7%
Health and Care	2,699.9		2,699.9	3%	3,088.4		3,088.4	4%
Information Technology	5,690.8		5,690.8	6%	4,745.5		4,745.5	5%
Other	206		205.8	0%	129		128.9	0%
Debt Securities:								
Corporate Bonds (investment grade)	3,507.6		3,507.6	3%	3,748.5		3,748.5	4%
Corporate Bonds (non- investment grade)	221.5		221.5	0%	232.6		232.6	0%
UK Government	205.8		205.8	0%			0.0	0%
Other	563.2		563.2	1%	116.9		116.9	0%
Private Equity: All		4,240.7	4,240.7	4%		3,485.7	3,485.7	4%
Real Estate:								
UK Property	1,610.2	4,134.9	5,745.1	6%	2,294.5	2,993.4	5,287.9	6%
Overseas Property		37.4	37.4	0%		687.1	687.1	1%
Invest Funds and Unit Trusts:								
Equities	28,018.6		28,018.6	28%	22,809.6		22,809.6	26%
Bonds	11,044.5		11,044.5	11%	9,402.3		9,402.3	11%
Other			0.0	0%	10,853.3		10,853.3	12%
Derivatives:								
Interest Rate	-3.0		-3.0	0%	0.4		0.4	0%
Foreign Exchange	143.2		143.2	0%	-528.2		-528.2	-1%
Cash and Cash Equivalents:								
All	11,969.5		11,969.5	12%	2,446.1		2,446.1	3%
Totals	92,727.0	8,413.0	101,140	100%	80,458.5	7,166.2	87,624.7	100%

Investment returns

The return on the Fund in market value terms for the period to 31 March 2017 is estimates based on actual Fund returns as provided by the Surrey County Council and index returns where necessary. Details are given below:

Actual Returns from 1 April 2016 to 31 December 2016	15.1%
Total Returns from 1 April 2016 to 31 March 2017 (1.1% in 2015/16)	20.4%

The liabilities show the underlying commitments that the authority has in the long-run to pay retirement benefits. The total liability of £62,021,000 has a substantial impact on the net worth of the authority as recorded in the balance sheet.

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

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The County Council Fund liabilities have been assessed by Hymans Robertson.

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

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

The main assumptions used in their calculations have been:

<u>Financial Assumptions</u>	31 March 17 % p.a.	31 March 16 % p.a.
Pension Increase Rate	2.40%	2.20%
Salary Increase Rate	2.70%	3.70%
Discount Rate	2.50%	3.50%

Mortality

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

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

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

Historic mortality

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

Period Ended	Prospective Pensioners	Pensioners
31 March 2016	CMI 2010 model assuming the current rate of improvements has peaked and will converge to a long term rate of 1.25% p.a.	CMI 2010 model assuming the current rate of improvements has peaked and will converge to a long term rate of 1.25% p.a.

Sensitivity Analysis

IAS19 requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Change in assumptions at year ended 31 March 2017	Approximate % increase to Defined Benefit Obligation	Approximate monetary amount
	%	£'000
0.5% decrease in Real Discount Rate	8%	13,813
0.5% increase in the Salary Increase Rate	1%	1,479
0.5% increase in the Pension Increase Rate	7%	12,170

It has been estimates 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 2013 necessitates an investment strategy that is expected to provide long term investment returns in excess of the anticipated rise in liabilities. As such the Fund does not have an explicit asset and liability matching strategy but the consideration of liabilities is of principal importance for determining the investment strategy.

The Fund holds assets that are highly correlated with the movement in valuation of fund liabilities, including fixed rate and index-linked gilts, as well as absolute return investments that seek to generate positive returns regardless of market conditions.

Investment risk is monitored regularly both in absolute terms and relative to the Fund's liabilities, with regular scrutiny by the Surrey Pension Fund Board and its external advisors.

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2016/17 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2016.

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

The actuary estimates contributions for the year to 31 March 2018 will be approximately £2,991,000.

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

Group Accounts

STATEMENT OF GROUP ACCOUNTING POLICIES

1. GENERAL

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

2. FINANCIAL YEAR END

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

3. ACCOUNTING CONVENTION

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

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

4. FINANCIAL INSTRUMENTS

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

GROUP COMPANY INFORMATION

A table showing a summary of information about the Council's group companies and joint ventures is shown on pages 87 to 88.

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

The overall impact of consolidation of the Group activities is to increase the Council's net assets by £8,389,000.

Company Name	Company Number	Shareholding	Directors @ 31 Dec 2016	Net Assets / Liabilities (-) @ 31 Dec 2016	Profit / Loss (-) 2016	In Year Activity 2016	Purpose
Thamesway Group Thamesway Limited	03702545	The Council is the sole shareholder	R N Morgan D J Spinks B M Maunders R J Kingsbury S Barnham B Hunwicks W Prescott T Price D J Bittleston G Cundy P N Bryant	£25,862,236	-£200,583	3,900,000 ordinary shares of £1 each were issued to Woking Borough Council during 2016 for investment in Thamesway Housing Limited.	To further the Council's energy and environmental objectives, it's affordable housing objectives, property development and investment.
Thamesway Energy Limited (TEL)	03772150	All shares are held by Thamesway Limited	D J Spinks W Prescott R J Kingsbury B M Maunders P N Bryant	£1,176,417	-£194,050	-	To build, finance and operate combined heat and power plant and photovoltaic plant for the production and supply of electricity, heat and chilled water.
Thamesway Central Milton Keynes Limited (TCMK)	05277300	Wholly owned subsidiary of TEL. TEL's investment in TCMK is £1,110,000.	D J Spinks W Prescott R J Kingsbury B M Maunders P N Bryant	-£13,863,606	-£1,509,778	-	The company is established to build, finance and operate combined heat and power plant for the production and supply of electricity, heat and chilled water.
Thamesway Housing Limited	05437166	Wholly owned subsidiary of Thamesway Limited	S Barnham R J Kingsbury T Price D J Bittleston P N Bryant C S Kemp appointed 24.6.2016 B M Maunders appointed 22.7.2016	£35,311,910	-£871,646	3,900,000 ordinary shares of £1 each were issued to Thamesway Limited during the year.	Formerly Woking Borough Homes Limited, established to provide affordable housing.
Thamesway Guest House Limited	08641958	Owned by Thamesway Housing Limited	S Barnham Clr D Bittleston Clr R J Kingsbury T Price P N Bryant	£574,121	£171,069	-	The management and operation of guest houses in the borough of Woking
Thamesway Sustainable Communities Limited	03835131	Wholly owned subsidiary of Thamesway Limited	D J Spinks B M Maunders R J Kingsbury B Hunwicks P N Bryant	£269,731	-£3,884	-	Formerly Energy Centre for Sustainable Communities (ECSC). Established to engage in trading operations to promote energy efficiency activities, notably in the renewable field.
Thamesway Developments Limited	06646380	Wholly owned subsidiary of Thamesway Limited	R J Kingsbury T Price G Cundy S Barnham P N Bryant	£980,127	£530,893	-	The company is established to engage in property development.
Thamesway Solar Limited	07679222	Wholly owned subsidiary of Thamesway Limited	R J Kingsbury B M Maunders D J Spinks P N Bryant S Westerman resigned 22.1.2016	£1,206,559	£4,165	-	Established to own, operate and install solar photovoltaic panels.

Company Name	Company Number	Shareholding	Directors @ 31 Dec 2016	Net Assets / Liabilities (-) @ 31 Dec 2016	Profit / Loss (-) 2016	In Year Activity 2016	Purpose
Thamesway Maintenance Services Limited	05637552	Wholly owned subsidiary of Thamesway Limited	R N Morgan R J Kingsbury B M Maunders P N Bryant	£544,907	£158,550		The company is established for the installation, commissioning, servicing, maintaining and operating total energy systems.
Brunswick Road (Pirbright) Residents Company Limited	06710433	98% owned by Thamesway Housing Ltd	P N Bryant S Barham	£51	NIL		Property and estate management.
Rutland Woking Limited	03025673	Owned by Thamesway Developments Limited (50%) and Rutland Properties Limited (50%)	J A C McAllister R N Morgan M L Riggs R J Kingsbury	£303,258	£342,288		The company is established to engage in property development.
Rutland Woking (Carhouse Lane) Limited	07621357	Owned by Thamesway Developments Ltd (50%) and Rutland Properties Ltd (50%)	J A C McAllister R N Morgan M L Riggs R J Kingsbury	£330,832	-£11,367		The company is established to engage in property development.
Rutland Woking (Residential) Limited	6710433	Owned by Thamesway Developments Ltd (50%) and Rutland Properties Ltd (50%)	J A C McAllister R N Morgan M L Riggs R J Kingsbury	£2,496	£1,081,648		The company is established to engage in property development.
Other Subsidiaries							
Woking Necropolis And Mausoleum Limited	09337764	Wholly owned subsidiary of Thamesway Limited	P N Bryant G Cundy B M Maunders D J Spinks	-£350,071	-£184,316		The holding and financing of Brookwood Park Limited in accordance with the ultimate shareholders (Woking Borough Council's) requirements.
Brookwood Park Limited	00034195	99.98% Owned by Woking Necropolis and Mausoleum Limited	P N Bryant G Cundy D J Spinks B M Maunders	£2,013,558	-£578,892		The management and operation of Brookwood Cemetery.
Brookwood Cemetery Limited	306088	Owned by Brookwood Park Ltd	P N Bryant G Cundy D J Spinks B M Maunders	£620,328	£20,000		The holding of land for cemetery use.
Associate Companies Victoria Square Woking Ltd (formerly Bandstand Square Developments Ltd - change effective 12/4/2017)	8005542	Moyallen Holdings Ltd 52%, Woking Borough Council 48%	R J Kingsbury P A H Robinson J T A Robinson R N Morgan J Robinson (resigned 30.12.16) E Robinson (resigned 30.12.16) D M Le Gal (resigned 30.12.16) T Pugh (resigned 30.12.16)	-£10,982,218	-£11,012,218		Undertake redevelopment project on land to the west side of the existing Peacocks Centre and Walsey Place Shopping Centre, and associated enabling projects.

Woking Borough Council also holds share capital in the following non group companies:-
 Woking Shopping Limited (previously known as Woking Town Centre Management Ltd). Company number 07383419.
 Export House Limited. Company number 07788479.
 Municipal Bonds Agency. Company number 09069106.
 SurreySave Credit Union. Company number IP000746.

GROUP MOVEMENT IN RESERVES STATEMENT

	General Fund £000s	(GF) Balance	Housing Revenue Account £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied £000s	Profit and Loss Reserve £000s	Total Usable Reserves £000s	Unusable Reserves £000s	Total Group Reserves £000s
Balance at 31 March 2015 carried forward	17,922	6777	40,154	2,597	599	-6,989	61,060	128,371	189,431	
MOVEMENT IN RESERVES DURING 2015/16										
Total Comprehensive Income and Expenditure	1,875	1,881	0	0	0	0	13,020	16,776	50,372	67,148
Adjustments between group and authority accounts	0	0	0	0	0	0	-5	-5	0	-5
Adjustments between accounting basis & funding basis under regulations	1,765	284	-2,907	-1,038	40	-356	-2,212	2,218	6	6
Increase/Decrease in Year	3,640	2,165	-2,907	-1,038	40	12,659	14,559	52,590	67,149	67,149
Balance at 31 March 2016 carried forward	21,562	8942	37,247	1,559	639	5,670	75,619	180,961	256,580	
MOVEMENT IN RESERVES DURING 2016/17										
Surplus or (Deficit) on Provision of Services (accounting basis)	-14,492	1,873	0	0	0	-2,017	-14,636	-263	-14,899	
Other Comprehensive Income and Expenditure	0	0	0	0	0	-31	13,024	12,993	12,993	
Total Comprehensive Income and Expenditure	-14,492	1,873	0	0	0	-2,048	-14,667	12,761	-1,906	
Adjustments between group and authority accounts	0	0	0	0	0	-94	-94	0	-94	
Adjustments between accounting basis & funding basis under regulations	17,275	-146	11,119	-1,559	246	-150	26,785	-26,796	-11	
Increase/Decrease before Transfers to Earmarked Reserves	2,783	1,727	11,119	-1,559	246	-2,292	12,024	-14,035	-2,011	
Transfers to/from Earmarked Reserves	0	0	0	0	0	0	0	0	0	
Increase/Decrease in Year	2,783	1,727	11,119	-1,559	246	-2,292	12,024	-14,035	-2,011	
Balance at 31 March 2017 carried forward	24,345	10,669	48,366	0	885	3,378	87,643	166,926	254,569	

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Actual 2015/16 Restated				Actual 2016/17		
Expenditure £'000	Income £'000	Net Cost £'000		Expenditure £'000	Income £'000	Net Cost £'000
11,625	23,231	-11,606	People	12,309	2,973	9,336
17,406	16,398	1,008	Place	42,832	29,495	13,337
36,103	30,780	5,323	Us	36,511	31,223	5,288
13,155	20,090	-6,935	Council Housing	12,961	19,878	-6,917
12,380	5,213	7,167	Investment Programme Projects	14,996	21,962	-6,966
90,669	95,712	-5,043	NET COST OF SERVICES	119,609	105,531	14,078
		547	- Contribution to Housing Pooled Capital Receipts			1,616
		0	- (Gain)/Loss on the disposal of non current assets			29
		547	Other Operating Expenditure			1,645
		15,487	- Interest payable and similar charges			17,689
		4,765	- Pensions interest on obligation			4,799
		-2,792	- Expected return on pension assets			-3,040
		-7	- Share of operating (profit)/loss in joint ventures/associates			22
		-1,579	- Investment interest income			-1,671
		-14,901	- Rentals received on investment properties			-16,457
		4,731	- Expenses incurred on investment properties			5,252
		-3,248	- Changes in fair value of investment properties			13,363
		2,456	Financing & Investment Income & Expenditure			19,957
		-3,937	- Non-domestic rates income and expenditure			-3,954
		-5,500	- Non-ring fenced government grants			-6,086
		-8,730	- Council Tax Income			-9,196
		-18,167	Taxation and Non-Specific Grant Income			-19,236
		-20,207	(Surplus) or Deficit on Provision of Services			16,444
		-37,765	(Surplus) or deficit on revaluation of non current assets			-23,446
		-12,621	Actuarial (gains)/losses on pension assets/liabilities			10,422
		3,445	Tax on (gain)/loss on ordinary activities			31
		-46,941	Other Comprehensive Income and Expenditure			-12,993
		-67,148	Total Comprehensive Income and Expenditure			3,451

GROUP BALANCE SHEET

	31st MARCH 2017		31st MARCH 2016
	£'000	£'000	£'000
Property, Plant and Equipment (note 2)			
Council Dwellings	293,657		277,043
Other Land and Buildings	149,046		139,516
Vehicles, Plant, Furniture and Equipment	35,074		36,531
Community Assets	20,943		19,564
Assets Under Construction	36,203		5,359
		534,923	
Heritage Assets	918		832
Investment Properties	298,022		232,272
Intangible Assets:			
Software Licenses	396		409
		299,336	
Long-Term Investments			
Long-Term Investments		418	427
Long-Term Debtors		65,476	33,922
TOTAL LONG TERM ASSETS		900,153	745,875
Short term investments	4,148		148
Inventories	21,723		24,954
Short Term Debtors (note 3)	20,459		13,754
Cash and Cash Equivalents	26,253		18,346
CURRENT ASSETS		72,583	57,202
Short-Term Borrowing	-67,578		-46,530
Short Term Creditors (note 4)	-37,191		-35,258
Provision for accrued absences	-187		-158
CURRENT LIABILITIES		-104,956	-81,946
Provisions	-7,173		-8,185
Long-Term Borrowing	-506,864		-381,960
Liabilities from PFI and Similar Contracts	-29,565		-14,476
Liability related to defined benefit pension scheme	-62,021		-50,725
Capital Grants Receipts in Advance	-7,588		-9,205
LONG TERM LIABILITIES		-613,211	-464,551
TOTAL ASSETS LESS LIABILITIES		254,569	256,580

	31st MARCH 2017		31st MARCH 2016
	£'000	£'000	£'000
General Fund		1,000	1,000
Earmarked Reserves - General Fund		23,345	20,562
Earmarked Reserves - HRA		10,167	8,445
Housing Revenue Account		502	497
Major Repairs Reserve		0	1,559
Capital Receipts Reserve		48,366	37,247
Capital Grants Unapplied		885	639
Profit and Loss Reserve		3,378	5,670
Usable Reserves		87,643	75,619
Revaluation Reserve		111,719	89,322
Pensions Reserve		-62,021	-50,725
Capital Adjustment Account		116,220	140,665
Deferred Capital Receipts		7	1,359
Financial Instruments Adjustment Account		-1,012	-1,226
Employee Benefits Reserve		-187	-158
Collection Fund Adjustment Account		2,199	1,460
GROUP BALANCES AND RESERVES		166,925	180,697
Minority Interest		1	264
TOTAL BALANCES AND RESERVES		254,569	256,580

GROUP CASH FLOW STATEMENT

	2016/17		2015/16
	£'000	£'000	£'000
<u>Revenue Activities</u>			
Net surplus/deficit on the provision of services	-14,729		20,756
Adjust net surplus/deficit for non-cash movements	4,109		13,085
Adjust for items that are investing and financing activities	0		-4
Net cash flows from operating activities		-10,620	33,837
<u>Investing Activities</u>			
<u>Cash Outflows</u>			
Purchase of fixed assets and revenue expenditure funded from capital under statute	-119,103		-53,340
Loans to subsidiaries and joint ventures	-32,681		-6,575
Shareholdings in Companies	0		-100
		-151,784	-60,015
<u>Cash Inflows</u>			
Sale of assets	7,384		6,611
Capital grants received	16,350		3,422
Movement in other long term debtors	1,378		55
Other capital cash receipts	8,858		1,156
		33,970	11,244
Net cash flows from investing activities		-117,814	-48,771
Net cash flow before financing		-128,434	-14,934
<u>Management of Liquid Resources</u>			
Net movement in short term deposits	-4,000		0
		-4,000	0
<u>Financing</u>			
<u>Cash Outflows</u>			
Repayments of long term borrowing	-11,079		-5,180
Repayments of short term borrowing	-87,004		-49,308
		-98,083	
<u>Cash Inflows</u>			
New long term loans raised	124,424		26,121
New short term loans raised	114,000		37,000
		238,424	63,121
Net cash flows from financing activities		140,341	8,633
		136,341	8,633
Net increase/decrease in cash and cash equivalents		7,907	-6,301
Cash and cash equivalents at 1 April		18,346	24,647
Cash and cash equivalents at 31 March		26,253	18,346

**GROUP INCOME AND EXPENDITURE ACCOUNT
EXPLANATORY NOTES**

1. GENERAL

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

2. SUBSIDIARY COMPANY

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

GROUP BALANCE SHEET EXPLANATORY NOTES

1. GENERAL

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

2. FIXED ASSETS

	Council Dwellings	Other Land and Buildings	Vehicles and Plant	Community Assets	Investment Properties	Assets Under Construction	Intangible Assets	Heritage Assets	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Net Book Value @ 1.4.16	277,042	139,515	36,530	19,564	232,271	5,360	409	832	711,523
Additions (b)	5,506	17,081	1,185	1,379	75,954	35,903	62	18	137,088
Acc Depreciation & Impairment WO to GCA *	-3,871	-2,299	-2,349	0	-41	-6	-75	0	-8,641
Revaluation increases/(decreases) recognised in the Revaluation Reserve (c) & (d)	17,556	5,822	0	0	0	0	0	68	23,446
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services (c) & (d)	0	-11,182	0	0	-8,311	0	0	0	-19,493
Derecognition - Disposals	-4,166	-87	-299	0	-65	-50	0	0	-4,667
Other Movement In Costs Or Valuation	1,590	196	7	0	-1,786	-5,004	0	0	-4,997
Net Book Value @ 31.3.17	293,657	149,046	35,074	20,943	298,022	36,203	396	918	834,259

3. DEBTORS

	31 March 2017 £'000	31 March 2016 £'000
Central Government Bodies	4,356	1,242
Local Tax Payers	1,325	1,474
Housing Rents, Rates & Water Charges	875	728
Rechargeable Works	115	116
Sundry Debtors	11,832	7,086
Prepayments	2,097	4,035
Accrued Interest on Long Term Debtors	1,436	1,525
LT Debtors repayments due within 1 year	1,398	1,311
Bad Debt Provision	-2,975	-3,763
	20,459	13,754

4. CREDITORS

	31 March 2017 £'000	31 March 2016 £'000
Central Government Bodies	4,302	4,452
Other Local Authorities	3,929	3,646
Local Tax Payers	560	566
Housing Rents	369	308
Rechargeable Works	83	67
Sundry Creditors	27,948	26,219
	37,191	35,258

GLOSSARY

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

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

ANNUAL GOVERNANCE STATEMENT 2016/17

1. Scope of Responsibility

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

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

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

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

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

2. The purpose of the governance framework

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

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

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

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

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

The governance framework has been in place at the Authority for the year ended 31 March 2017 and up to the date of approval of the annual report and statement of accounts.

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

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

3. The Governance Framework

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

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

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

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

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

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

Complaints submitted under the Members Code of Conduct are reported to the Standards and Audit Committee which also receives regular reports on complaints which have been referred to the Ombudsman. A report on complaints received by the Council is received by the Overview and Scrutiny Committee.

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

Principle B – Ensuring openness and comprehensive stakeholder engagement

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

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

Woking Joint Committee is a committee between Woking Borough Council and Surrey County Council and makes decisions on certain services, monitors the effectiveness of public services, partnerships and joint initiatives. Local people are encouraged to take part.

Members represent the Authority working formally and informally with voluntary groups.

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

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

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

The Council has an external communications policy and utilises a number of communication channels – self service on the internet, consultation with the citizens panel and appropriate consultation as required for specific issues. Alternative arrangements are made for hard to reach sections of the community.

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

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

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

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

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

The Authority also has a service approach to protect services seeking instead to achieve efficiencies and increase income generation.

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

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

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

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

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

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

A Medium Term Financial Strategy (MTFS) is prepared on at least an annual basis and updated as circumstances change. It was last updated in March 2017 and

clearly sets out the financial challenges facing the Authority. This enables the identification of resource requirements to sustain the Authority's activities and secure a sustainable future. The MTFS is linked to the annual budget and service strategies.

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

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

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

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

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

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

Following the recommendation of the 2015 Peer Review, a programme of management development has commenced to support future leaders and succession planning. This programme will be extended during 2017/18.

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

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

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

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

Formal Risk Management arrangements provide for risk identification, analysis, ownership and mitigating actions. An annual risk report is provided to the Executive. The Corporate Management Group review the Strategic Risk Register every 6 months. Committee reports identify and quantify risks associated with a proposal.

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

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

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

The Local Government Association undertook a Corporate Peer Review of the Authority in 2015. This was an independent external view of the Authority, its proposed management arrangements and medium term direction of travel. Feedback was provided and work continues on the actions identified.

Internal Audit provides an independent appraisal of financial and management systems on a cyclical basis and undertakes regular routine compliance testing as part of the work programme. This includes adherence to established policies, procedures, laws and regulations.

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

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

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

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

4. Roles and Responsibilities

The Authority has approved a Constitution which defines and documents the roles and responsibilities of the Authority, Executive, Overview and Scrutiny and officer functions, with clear delegation arrangements and protocols for decision making and

communication and codes of conduct defining the standards of behaviour for Members and staff. Delegations are recorded in accordance with the relevant Regulations.

The Thameswey Group of companies has been established by the Authority to assist in the delivery of the Council's strategic objectives with a view to securing benefits for the residents of the Borough. The Council, and the Boards of the 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. Group Company information is included in the monthly performance and financial monitoring information (Green Book).

The senior management of the Authority is structured to provide clear responsibility and accountability at both strategic (Corporate Management Group, CMG) and operational (Senior Manager) levels. The management structure was reviewed and revised during 2015/16. The new structure reflects the Authority's values and approach with management and services grouped by 'People', 'Place' and 'Us'.

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

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

5. Significant Governance Issues

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

There has been a focus on addressing Internal Audit recommendations during the year including full review and assessment of all outstanding items to determine if they remain unresolved and relevant. This has reduced the number of areas where work is still ongoing and has enabled CMG to better monitor and focus resources.

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

- (i) **Business Continuity**
Continue to improve the Council's processes and procedures for Business Continuity, strengthening the ability and speed of recovery in the event of a major incident.
- (ii) **Peer Review**
Address areas of improvement identified by the Peer Review, including further embedding the new management structure and extension of the management training programme, continued development of the overview and scrutiny function.
- (iii) **Financial Regulations**
Following update of the Constitution during 2015/16, the Financial Regulations and Contract Standing Orders be reviewed and updated.

6. Conclusion

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

Leader of the Council
Cllr D Bittleston
Date

Chief Executive
R N Morgan OBE
Date

Independent auditor's report to the members of Woking Borough Council

We have audited the financial statements of Woking Borough Council for the year ended 31 March 2017 on pages 14 to 95. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

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

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that the financial statements give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's and the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Narrative Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority and the Group as at 31 March 2017 and of the Authority's and the Group's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Matters on which we are required to report by exception

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

- the Annual Governance Statement which accompanies the financial statements does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' (CIPFA/SOLACE 2016 Edition); or

- the information given in the Narrative Statement for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014; or
- any other special powers of the auditor have been exercised under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of these matters.

Conclusion on Woking Borough Council's arrangements for securing economy, efficiency and effectiveness in its use of resources

Authority's responsibilities

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

Auditor's responsibilities

We are required under Section 20(1) (c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Comptroller and Auditor General (C&AG) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by C&AG in November 2016, as to whether Woking Borough Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Woking Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, we are satisfied that, in all significant respects, Woking Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

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

Neil Hewitson

For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

15 Canada Square
London
E14 5GL

30 September 2017