

WOKING BOROUGH COUNCIL

**ANNUAL FINANCIAL REPORT
AND
STATEMENT OF ACCOUNTS**

**FOR THE YEAR ENDED
31 MARCH 2019**

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

1.0 Introduction

- 1.1 The transformation of Woking has continued at pace this year with the Victoria Square regeneration taking shape and a substantial part of the integrated transport project completed improving the High Street and Albion Square.
- 1.2 The newly constructed Hoe Valley School welcomed pupils in September with the Sportsbox community leisure facilities opening on the same site. The school element was funded by the Education Funding Agency (EFA) and the community facilities include indoor and outdoor sports and will be the new home of Woking Athletics Club.
- 1.3 The Council acquired a number of strategic properties in the Borough which provide opportunities for local economic development while generating income to support services. Some of the properties acquired enable the Council to influence development in key locations.
- 1.4 During the year the Council continued to acquire private properties within the Sheerwater Regeneration area. At 31 March, 82 of the 120 required had been purchased and a further 18 had terms of acquisition agreed. Planning permission for the revised scheme was granted on 8 April 2019 and the funding for the first residential phase was also approved in April. Work on both the new leisure facilities and the first phase will commence shortly.
- 1.5 Investment in new affordable housing continued through the Council's housing company, Thamesway Housing. In the autumn budget the Chancellor removed the cap on new Housing Revenue Account (HRA) borrowing. The Council had prepared plans to submit to the government to apply for permission to borrow. These proposals can now be progressed creating new HRA houses funded partly by retained Right to Buy receipts.
- 1.6 Service income and expenditure was monitored during the year with variances reported as the year progressed. The net cost of services was £48,000 over budget, however the Council also generated new rental income from strategic properties which were acquired after the budget had been set. The budget assumed £309,000 would be used from the MTFS reserve to support services in the year. The new income ensured that this transfer was not necessary it was possible to transfer a further £500,000 into the MTFS reserve. Additional income from strategic properties will continue to be transferred to reserves where possible to ensure sufficient resources are available during the current period of major development and to allow time for new income to be established.
- 1.7 Revenue Reserves were £31m at 31 March 2019. Most of these reserves are held for specific purposes including covering potential budget shortfalls during the period while Town Centre developments become fully occupied and changes to government funding are introduced.
- 1.8 The Council supported local community and voluntary organisations with £1.2m of funding through direct grant aid and accredited use of HG Wells.

- 1.9 The Council's Medium Term Financial Strategy (MTFS) was updated in March 2019 and shows a need to identify £6.5 million in ongoing savings by 2023/24. Strategies are in place for £5.5m but savings still need to be identified to meet the £1m pressure arising in the final year of the MTFS. The strategies in place involve further investment in housing and strategic assets within the Borough. It is assumed that, over the 4 years to 2023/24, there will be a reduction in government support through retained Business Rates and New Homes Bonus of £2m. This forecast is based on previous reductions as the funding regime beyond 2019/20 has not been determined. Both the mechanics of the system of funding allocation, and the assessment of need, are to be reformed for 2020/21 onwards. This means the level of future support is unlikely to be clear until towards the end of 2019. Despite this funding uncertainty, the Council continues to work towards financial self-sufficiency whilst investing in the Borough.
- 1.10 This statement of accounts sets out the Council's financial transactions during the year 1 April 2018 to 31 March 2019 and its financial position at 31 March 2019. 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 During the year £94m was advanced to Victoria Square Woking Ltd to continue the construction of the town centre development. The structure of the two residential towers and the hotel towers is now clear and the demolition of the red car park has started.
- 2.2 The new Albion Square Plaza was completed and the Council acquired Woking One, the newly refurbished office block opposite the station in March 2019. The Town Centre integrated transport works continue around the town centre improving the highways and public realm. The project is funded by developer contributions and an £11m grant from the Enterprise M3 Local Enterprise Partnership.
- 2.3 A number of other strategic properties in the Borough were acquired including Victoria Gate, Midas House, The Clocktower and CMS House. These properties provide regeneration or future development opportunities for the Council and in the short term provide a positive rental income which can be used to support services. The Dukes Court office block was transferred from the holding company bought during 2017/18, to direct Council ownership. The company can now be dissolved. The Executive approved highway, public realm and other works external to the building.
- 2.4 The Council's wholly owned companies within the Thamesway group continued to develop the regeneration plans for Sheerwater. During the year Thamesway Housing Ltd spent £20.8m acquiring residential properties within the regeneration area. The funding for the first residential stage, £48.4m, was approved in April 2019.
- 2.5 The construction of the Sportsbox community leisure facilities was completed and opened to the public in the summer of 2018. Pupils and staff moved into the Hoe Valley School, constructed with funding from the Education Funding Agency, in September 2018.
- 2.6 The Council continued investment in housing in the Borough through improvement of its own housing stock, development of new Council housing and through investment through the Council's wholly owned housing company, Thamesway Housing Ltd.

- 2.7 Work also continued on other Investment Programme projects including improvements at Brookwood Cemetery and developing flood, leisure, housing and infrastructure schemes.
- 2.8 Celebrate Woking again delivered a successful programme of events, including the Party in the Park and Woking Food and Drink Festival.
- 2.9 In total the Council spent £400 million on investment programme capital and revenue projects:

	£ million
Victoria Square Regeneration	94
Strategic Property Acquisition	114
Improvement in Council Housing Stock	6
New Council Housing	4
Sheerwater Regeneration	30
Investment in Thamesway companies for housing provision	55
Integrated Transport works	7
Dukes Court (transfer to Council from company)	72
Other capital and revenue projects	<u>18</u>
	<u>400</u>

- 2.10 The Council used borrowing to fund £325m of the investment in group companies and other Investment Programme projects. Capital grants and other contributions funded £4m and reserves £10m. Receipts from the sale of assets contributed £61m which included £59m towards the cost of Dukes Court funded by the repayment of a loan advanced to the holding company by the Council. Approximately £4m of these Investment Programme projects were revenue in nature (did not create an asset) and are therefore shown in the Council's income and expenditure account in the year. This includes feasibility studies as well as the Celebrate Woking programme of events and projects funded by the Community fund and other reserves.
- 2.11 The Council retains a proportion of capital receipts from sale of Council houses under Right to Buy. The Council can opt to retain part of the receipts to use towards replacement housing. In 2017/18 the Council had to return this element to the Government as the rules for funding the replacement housing require 70% of the costs to be met from alternative funding. The Council had no funds available to fund this element. During 2018/19 the government removed the HRA debt cap meaning that it was possible to borrow to fund the Council contribution. In 2018/19 the Council sold 15 properties, generating gross receipts of £3.3 million, and chose to retain the £2m replacement housing element of the sales receipt to part fund HRA housing projects.

3.0 Revenue budget and outturn 2018/19

- 3.1 The 2018/19 budget was approved by the Council in February 2018. Budgeted net operating expenditure for 2018/19, before transfers to and from reserves, Council Tax and government financing, was £15.2 million. Woking received Government support of £2 million, the Council no longer receives any Revenue Support Grant.

- 3.2 £1.4 million was received in New Homes Bonus (NHB) grant which is awarded for increases in the provision of new residential properties. This was £434,000 less than in 2017/18 reflecting the reduction in years paid under the revised scheme. In line with the Council objective to reduce reliance on NHB to support the service budget, £1m was used in-year (£1.2m in 2017/18) with the rest allocated to the New Homes Bonus reserve. The reserve is used to fund infrastructure relating to developments, including community assets, and investment in Brookwood Cemetery. There is £810,000 in the reserve at the 31 March 2019.
- 3.3 The service outturn statements for 2018/19 (page 13) show net service income and expenditure and provide explanations for significant variances from budget. These variances are reported during the year in the Council's monthly 'Green Book' publication. The year end Green Book reported an overspend of £48,000 compared to budget. However the treasury budgets have absorbed the financing costs of strategic acquisitions during the year, enabling over £800,000 of rents to be transferred directly to the Medium Term Financial Strategy (MTFS) reserve.
- 3.4 The greatest pressure on budgets was due to the reduction in parking income activity particularly following the closure of the Red car park in early 2019. This resulted in an overspend of £409,000. Other significant overspends relate to legal, training and staffing costs, leisure centre maintenance, loss of profit at the pool in the park and the cost of Housing Benefits. These are offset by the underspend on capital financing and other budgets including additional rental income at the Civic Offices, development management income, government New Burdens funding and savings on the Environmental Maintenance Contract. Further detail can be found in the March 2019 financial and performance monitoring (Green Book).
- 3.5 The Expenditure and Funding Analysis, which can be found on pages 43 and 44, reconciles the outturn statements to the statutory Comprehensive Income and Expenditure statement on page 31.
- 3.6 The Comprehensive Income and Expenditure Statement (CIES), prepared in accordance with IFRS, shows a deficit for the year of £31.5 million mostly due to a £25m adjustment reflecting changes in valuation of Council Property which must be charged to the CIES in accordance with accounting standards. There are a number of entries in the CIES 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 35). A charge is made to the General Fund balance to provide for the repayment of debt which is a requirement of the Code of Practice on Local Authority Accounting, but not of IFRS. This is called the Minimum Revenue Provision (MRP).

	£ million
Deficit on CIES	-31.5
<u>Reverse:</u>	
Depreciation, revaluation and Impairment Charges	29.2
Capital expenditure creating an asset not owned by the Council	11.6
Grants and contributions amortised	-4.8
Adjustment for Business Rates and Council Tax timing	-5.3
Pension, Collection fund and other adjustments	3.5
	<hr/> 34.2
Minimum Revenue Provision for debt repayment	-4.8
Adjusted deficit on CIES	<hr/> -2.1

- 3.7 The overall effect is a net use of £2.1 million of revenue reserves to support revenue activity. There is further £2.4m use of revenue reserves to support the Investment Programme. Earmarked revenue reserves set up for specific purposes are shown on page 36.

4.0 Assets and Liabilities

- 4.1 At 31 March 2019 the Council's balance sheet shows net assets worth £202 million.

Fixed Assets

- 4.2 Property assets have been revalued where material. Some lower value assets are revalued on a rolling basis. There was a £7m reduction in the valuation of Council Housing, and a £14m reduction in Investment Property of which £13m related to Dukes Court where the valuation was based on existing tenant leases for the first time.

Cash

- 4.3 At 31 March 2019, cash and temporary deposits of £136 million were held. This is considerably higher than cash balances generally held and was due to long term borrowing taken in March 2019 when interest rates fell ahead of the initial Brexit deadline. These funds will be used during 2019/20 on ongoing projects, including Victoria Square, and planned acquisitions. There were no investments with terms in excess of one year.

Long Term Debtors

- 4.4 The Council has made £297m of loans to its Thamesway group companies. These loans are shown as long term debtors on the balance sheet, including £36m for Sheerwater.
- 4.5 £199 million has been advanced to Victoria Square Woking Ltd to finance the town centre regeneration. The £59m loaned to the Dukes Court holding company, as part of the £72m acquisition in 2017/18, has been extinguished as part of the transfer of the asset to direct Council ownership.
- 4.6 A further £16m of loans have been advanced to other external organisations including £6m to the Peacocks and £8.6 million to Woking Hospice. £1.6m of mortgages are held, mostly associated with the Sheerwater regeneration area. Amounts due within one year are shown as short term debtors.

Shares

- 4.7 The Council owns £31 million in shares held in its wholly owned Thamesway group of companies which are shown as an investment.
- 4.8 The Council also holds £6m (100%) shareholding in Woking Necropolis and Mausoleum Ltd (WNML), which owns and runs Brookwood Cemetery, and £12m (100%) of Dukes Court owner T-SARL, which holds the Dukes Court asset.
- 4.9 In addition, the Council has shares in Victoria Square Woking Ltd (VSWL), the development company for the Victoria Square regeneration, the Boom! West Sussex and Surrey Credit Union, and the UK Municipal Bonds Agency.
- 4.10 No new shares were acquired during 2018/19.

Borrowing

- 4.11 At 31 March 2019 there was long term borrowing of £1,149 million and short term borrowing of £53 million. The level of short term borrowing reflects the short term nature of some of the capital projects as well as borrowing short dated money, at low rates of interest, during periods of relative stability in money markets. Details of all Council borrowing is reported each month in the Council's 'Green Book'. For the statutory accounts the amount of long term borrowing due within a year is re-classified as short term.
- 4.12 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.
- 4.13 The Council approved new Capital and Investment Strategies with the Treasury Management Strategy in February 2019. This suite of documents explains the Council's approach to capital investment and acquisition of strategic property.

Pension fund liability

- 4.14 The Council's share of the Surrey Pension Fund deficit continued to reduce the Council's net asset position. Woking's Balance Sheet shows a Pensions liability of £71 million. This has increased from £62 million at 31 March 2018. The current actuarial valuation, which is based on forecast yields rather than corporate bond yields, as required by the accounting standards, shows that the fund is very close to being fully funded at 31 March 2019. The deficit reduces the net worth of the Council by 26%. A full valuation of the Fund was completed at 31 March 2016. The next valuation is at 31 March 2019 and will set the level of contributions from 2020/21.

5.0 Reserves

- 5.1 The Council's balances and earmarked revenue reserves at 31 March 2019 were £33 million, a reduction of £4.6 million compared to the balance at 31 March 2018. The reduction is part General Fund balances (£2.8m), and partly Housing Revenue Account (£1.8m). The General Fund reduction reflects the use of amounts set aside to cover the 2017/18 Business Rates deficit, and also the use of the Wolsey Place reserve to support the service budgets. The use of HRA reserves is for improvements in the housing stock and to fund Sheerwater regeneration costs pending Thamesway, as developer, reimbursing the Council.
- 5.2 The Investment Strategy Reserve balance at the 31 March 2019 is £3.3 million. This meets the policy objective of maintaining the reserve at £3 million, however, will reduce once expenditure which has slipped from 2017/18 into 2018/19 is committed. An additional £500,000 has been allocated to the General Fund balance which is for general use and had been maintained at £1m for many years.

- 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. Variations on the Wolsey Place income budgets were met from the reserve, together with costs associated with the asset. A transfer from the reserve of some £1 million is assumed towards the annual budget, and a contribution of £300k is made to the reserve towards costs. In 2018/19 the net use of reserve was £1.7m leaving a balance of £4.1 million at 31 March 2019.
- 5.4 A 'Medium Term Financial Strategy (MTFS)' reserve has been established to mitigate the risks associated with the implementation of the Council's economic development strategies, and the uncertainty of government funding from 2020/21 onwards. It has been possible to credit the reserve with an additional £1.5m in 2018/19, bringing the balance to £5m at 31 March 2019.
- 5.5 The Off-Street Parking Reserve was formed in 2017/18, with a balance of £1m. The purpose of the reserve is to provide funds to mitigate the financing costs of the new Town Centre parking assets, including Victoria Square, allowing time for usage to increase to expected levels. A further £1m from Business Rates surpluses was credited to the reserve in 2019/20.

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. Much of the capital investment during the year was through Group Companies and partnerships.
- 6.3 A full listing of all the Council's interests can be found on pages 93 - 94 of the accounts.
- 6.4 In total £83 million was advanced in loans to the Thamesway group during 2018/19, including £54m for Thamesway to invest in new residential properties, and £23m to progress the Sheerwater regeneration. The loans are shown as long term debtors in the Council's balance sheet and are listed in note 7, page 58. These balances are eliminated on consolidation in the Group accounts.
- 6.5 The Council owns 48% of Victoria Square Woking Ltd, the development company for the regeneration scheme. £94m of funding was advanced by the Council in the year. VSWL is not consolidated in the Group Accounts, but instead is included as an investment based on its net asset value.
- 6.6 In November 2017 the Council purchased the holding company of the Dukes Court office block in Woking. The acquisition was through £59m loan and £12m share capital. In September 2018 the company sold the asset to the Council and it is now managed as a Council property. The loan was extinguished on the acquisition by the Council and the Council owes the company the balance which equates to the value of the shareholding. Both will be removed on liquidation of the company during 2019/20. The company is consolidated in the Council's group accounts.

- 6.7 £1.3m of capital and revenue grants were provided to the Brookwood Cemetery companies, by the Council, to continue restoration works. The Cemetery companies are consolidated in the Council's group accounts.
- 6.8 The accounts of the companies, consolidated into the Council's accounts, are presented as Group accounts on pages 91-101.

7.0 Housing Revenue Account

- 7.1 There was a £360,000 underspend against Housing Revenue Account (HRA) budgets in the year. This was reported in the March 2019 Green Book. In the HRA (page 74) this underspend is offset by £1.5m of revenue projects which include additional inspection costs and costs relating to the Sheerwater project. The budget assumed a £1.1m contribution to the Housing Investment Programme (HIP) in 2018/19, so there is an additional use of HIP reserve, £61,000, to fund these revenue projects.
- 7.2 The Council's housing stock is managed by a joint venture partnership called New Vision Homes. The Council spent £6.3 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 £4.3 million was spent on acquiring and developing new properties using the Council's retained receipts from right to buy sales to fund 30% of the costs.
- 7.3 For 4 years the government has required a 1% reduction in rents. This has put increased financial pressure on the Housing Revenue Account. 2019/20 is the last year of rent reductions and from 2020/21 rents will increase using a formula approach as they had previously. The government has considered a number of policies which would put pressure on the Housing Revenue Account in future years.
- 7.4 The removal of the borrowing cap has allowed the Council to proceed with plans to develop new HRA housing using retained Right to Buy receipts. At HRA rental levels, the financing costs will exceed the rents in the early years so initially there will be a net cost to the Council. The regeneration of Sheerwater will also impact the HRA with a reduction of 406 properties as the area is developed. The Council considered an HRA Medium Term Financial Strategy (MTFS) in October 2018 reflecting the need for close management as these developments progress. This showed that rental increases were forecast to exceed the additional costs relating to the new schemes.
- 7.5 The HRA working balance at 31 March 2019 is £497,000, this is £149 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 2018/19 the Council Tax set by Woking BC was £233.46 for a property in Band D, an increase of £6.75 on 2017/18. The Council collected £78 million in Council Tax. The Collection Fund shows that 75% is collected for Surrey County Council, 13% for Surrey Police and Crime Commissioner and 12% for Woking's own purposes. The total Band D Council Tax, including the amounts for Surrey County Council and Surrey Police Authority, was £1,881.32, an increase of £98.49 (5.5%), which included the Social Care precept levied by Surrey County Council.

- 8.2 The Council was a member of the Surrey Business Rates pilot during 2018/19. This meant that 100% of the growth in Business Rates over the government set baseline level, was retained locally. The pilot was successful and achieved a benefit for the Council of £1.6m which is held in the Business Rates equalisation reserve and will be used to fund economic development activities as set out in the pilot proposals.
- 8.3 Woking collected £48m in Business Rates, which in this pilot year was allocated 30% to Woking and 70% to Surrey County Council. Woking was required to pay a tariff of £11.6m which would leave the Council with the £2m allocated funding if income was at assumed 'baseline' levels. As income was greater than baseline in 2018/19 a greater proportion was retained.
- 8.4 Since the government introduced the 'check, challenge, appeal' system for business rates in 2017/18 there have been very few valuation appeals. In 2017/18, a provision was made based on historic experience, and also to cover expected reductions as a result of the town centre redevelopment where a large number of temporary valuation reductions had been received. At 31 March 2019, there remains a very limited amount of appeal activity, and the town centre adjustments have been made, so it has been possible to reduce the level of the provision for appeals.

9.0 The Medium Term Financial Strategy to 2022/23

- 9.1 The financial environment for local government was set in February 2016 for the 4 year period to 2019/20 with funding reductions through the period. The impact for Woking has been a reduction of funding of over £1.3m. This was better than the original settlement as the negative RSG, which was due to be paid to the government in 2019/20, was removed in the February 2019 government settlement saving the Council £991,000.
- 9.2 The government is consulting on changes to the system of local government funding which are due to be introduced in 2020/21. The changes include a greater level of retention of Business Rates by the local government sector, and new assessments of 'need' which will determine the resource allocated to each authority. There is also due to be a government Comprehensive Spending Review (CSR) which will determine the overall funding for the Sector for the next few years. The overall funding levels, the design and baseline for this new system are all a risk to the Council as it could have a material impact on the funding received or retained. Whilst uncertain, it is necessary to plan for further funding reductions from 2020/21 onwards.
- 9.3 The Council sets prudent budgets which have in the past enabled significant efficiencies to be generated to ensure the continuation of service delivery. It has become increasingly difficult to achieve further savings whilst maintaining, and in some areas increasing, service delivery which has been the Council's ambition. The Council has instead focused on an investment led approach with income from housing developments and strategic commercial properties contributing to service budgets. This has been successful to date and it has been possible to maintain service levels while government funding has reduced.
- 9.4 The Council's medium term financial strategy, last considered in detail by the Council in April 2019, continues this investment in housing and strategic investment assets over the period to mitigate reductions, and reduce reliance on, government funding enabling continued provision of services.

10.0 Conclusion

- 10.1 The Council's overall financial performance in 2018/19 was good and there has been substantial progress made on major capital projects.
- 10.2 There is significant uncertainty on the horizon with government funding unknown post 2019/20. The continued uncertainty of Brexit makes the economic environment on completion of the Town Centre developments very difficult to predict. It is important that the Council has sufficient reserves to withstand a transitional period once the construction is complete. There has been an increase in reserves being held for this purpose and the level of these funds will continue to be reviewed alongside future consideration of the Council's Medium Term Financial Strategy.
- 10.3 As central government support continues to be reduced, and with new funding regimes to be introduced, it is increasingly important that the Council plans for self-sufficiency. The Medium Term Financial Strategy, agreed by Council in April 2019, sets out the likely savings or additional income streams required to meet the withdrawal of government support and other identified risks. The Council will further develop these plans and ensure there are sufficient reserves set aside to allow time to manage any changes.
- 10.4 The Council's accounts for the year 2018/19 present fairly the financial position of the Authority at 31 March 2019 and its income and expenditure for the year ended 31 March 2019.

Leigh Clarke
Finance Director

Date:

I confirm that this Statement of Accounts was approved by Council on
25 July 2019

Councillor Beryl Hunwicks
Mayor

Date:

REVENUE OUTTURN STATEMENTS

2018/19

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

2017/18 ACTUAL		2018/19		
		ESTIMATE	ACTUAL	VARIATION
£		£	£	£
	<u>People</u>			
2,263,906	Community Support	3,109,783	3,001,548	-108,235 (1)
2,652,470	Health and Well Being and Cultural Development	3,024,941	3,688,091	663,150 (2)
2,066,954	Housing	2,605,359	2,622,421	17,062 (3)
572,023	Independent Living	718,992	572,782	-146,210 (4)
<u>7,555,352</u>		<u>9,459,075</u>	<u>9,884,842</u>	<u>425,767</u>
	<u>Place</u>			
-3,302,283	Sustaining the Local Economy	-4,082,614	-3,225,727	856,887 (5)
6,652,049	Environmental Quality	6,689,557	6,686,192	-3,365 (6)
-7,855,936	Place Making	-11,858,353	-9,132,267	2,726,086 (7)
<u>-4,506,171</u>		<u>-9,251,410</u>	<u>-5,671,802</u>	<u>3,579,608</u>
	<u>Us</u>			
3,147,681	Democratic Services	4,265,666	3,116,760	-1,148,906 (8)
198,394	Corporate Services	319,021	286,230	-32,791 (9)
1,245,339	Customer Support Services	1,017,708	1,527,770	510,062 (10)
<u>4,591,415</u>		<u>5,602,395</u>	<u>4,930,760</u>	<u>-671,635</u>
-6,816,233	Council Housing (Housing Revenue Account)	-6,057,269	-6,382,822	-325,553 (11)
2,415,877	Investment Programme Revenue Projects	1,182,000	2,433,114	1,251,114
<u>3,240,240</u>	NET COST OF SERVICES	<u>934,791</u>	<u>5,194,092</u>	<u>4,259,301</u>

OUTTURN STATEMENT - NOTES

People

(1) Community Support

The overall underspend on Community Support included a £17,000 underspend on the refurbishment budgets across the Centres for the Community (these budgets have instead been used to help fund a capital project relocating the Meals Service Office at Brockhill) and a £23,000 saving on running costs at the Centres. Centres hire income was £17,000 more than budgeted, and Surrey County Council funding was above the budgeted level providing £13,000 additional income. A £108,000 underspend on employee costs was partially offset by a £31,000 over spend on Energy.

There was an overspend of £70,000 from the Womens Support Centre budget on additional staff engaged in Women's Justice Intervention, and there was a small surplus of £17,000 on Interpretation and Translation.

The £47,000 underspend on Support For Accredited Groups relates to payment for the corporate hire of HG Wells. The corresponding income shortfall appears under the Democratic Services Service Plan.

The cost of Community Safety was £10,000 above budget due to a grant that was not budgeted for, and The Junction showed a saving of £16,000 due to additional grant income received during the year.

(2) Health and Well Being and Cultural Development

Additional Maintenance costs of £124,000 were incurred at the Leisure Centre and Pool, together with compensation payments to the operator of £281,000 for loss of profit while some of the facilities were out of action. Depreciation (£416,000) and Energy costs (£39,000) were over budget, and additional income of £26,000 was received from the operator. A substantial VAT refund of £80,000 was received from HMRC.

The Sportsbox opened during the year. Initial estimates for energy and repairs and maintenance proved to be £79,000 more than required. An additional month's Management Fee of £23,000 was paid to the operator as the facility opened a month early, and income of £18,000 was received from external users that wasn't anticipated when preparing the budget.

There were also overspends on external storage, repairs, maintenance and parking for the Lightbox (£49,000).

The cost of Youth council and playleadership promotions was £5,000 below budget, and the £10,000 provision for a Lakeview Cycle Station was not required during 2018/19.

The remaining variations are mainly differences in Employee costs.

(3) Housing

Expenditure on employees was £27,000 more than budgeted.

Woking was awarded £97,000 more Flexible Homelessness Support Grant and Preventing Homelessness Grant than budgeted in 2018/19. This additional grant was used to help offset a £73,000 over spend on the Private Sector Lease Scheme and a net £11,000 over spend on Bed and Breakfast Costs and other Housing Options budgets. Any remaining grant is transferred to reserves to be used to deal with the pressures arising from the Homelessness Reduction Act in 2019/20.

Take up of the Council's Rent Deposit Scheme was high from 2008 to 2013. Due to the nature of these debts a large bad debt provision was made to provide for any bad debt incurred. During 2018/19 these debts were reviewed with many being written off. An adjustment was made to the bad provision releasing £149,000 from the provision.

A 75% compliance rate was assumed when setting the License Fee and Financial Penalty income budgets under the Selective Licensing Scheme. To date the actual compliance rate is 81%. The Council is also proactively working with landlords. There is less scope for income to be generated from license fees (these are only charged to landlords applying after the deadline) and from financial penalties on landlords not complying with the scheme. This has resulted in a £245,000 net shortfall in income across Selective Licensing and HMO Licensing which is offset by removing a £180,000 transfer to reserves (this transfer to reserves is accounted for outside of these Outturn Statements).

Housing benefit costs, net of government subsidy, were £18,000 less than budgeted, and a £24,000 saving was achieved on Housing Contributions to other organisations. Surrey County Council provided a £24,750 contribution for a Housing Related Support Floating Resource. There were a number of other small variations in Running Costs within this range of services.

(4) Independent Living

Employee costs for Independent Living were £26,000 less than budgeted.

Surrey County Council maintained its funding at a higher level than budgeted for the Home Improvement Agency (HIA) and the Meals Service, giving additional income of £48,000.

Due to the increased take up of Disabled Facilities Grants the HIA generated additional fee income of £29,000. Woking has also taken on providing HIA and Handyperson Services for other Local Authorities generating income of £73,000.

There was a £41,000 net overspend across the Community Meals Service on provisions and energy, combined with a £11,000 underspend across other areas.

Place

(5) Sustaining the Local Economy

The overspend against budget of £857,000 is mostly due to Parking (£602,000), employees (£251,000), Business Liaison and H G Wells (£15,000), which is partly offset by an underspend on capital charges of £11,000.

The Parking overspend against budget of £602,000 is mostly due to a reduction in Car Park activity during 2018-19, including the closure of the Red car park in early January 2019, which has resulted in a shortfall in income against budget of £508,000 (of which £98,000 will be funded by the Victoria Square Development Reserve outside these outturn statements). There is also an overspend on other parking operating expenditure of £27,000 due to energy (£1,000), business rates (£8,000), facilities management (£6,000) and other minor miscellaneous items (£14,000) partly offset by an underspend on the environmental maintenance contract (£2,000). There is also a shortfall in car park rent income of £67,000 due to the closure of the Red car park.

The remaining overspend is a minor variation of £4,000 on HG Wells and £9,000 on Business Liaison which is due to agreed spend by CMG on projects and activities which support Economic Development but which are outside the day to day operation of the Business Liaison team. In addition there is a minor underspend of £2,000 on Christmas Lights.

(6) Environmental Quality

The underspend against budget of £3,000 is due to an overspend on capital charges of £341,000 offset by underspends on employees (£56,000), Environmental Maintenance (£212,000), Waste & Recycling advertising and repairs (£24,000), Environmental Health (£28,000), Emergency Planning (£6,000), CCTV and Public Conveniences (£16,000) and Building Control (£2,000).

The Savings of £212,000 on the Environmental Contract is mostly due to contract savings of £159,000 which have been secured by extending the contract to 2023, which is partly offset by higher inflation than anticipated at the time of budget setting. There were further savings of £26,000 for 2017 and 2018 contractor profit share and £27,000 of the provision for variation orders not being required. Other savings of £54,000 made within the Environmental Maintenance Contract are made up of small variations across services such as Parks, Flood Clearance & Prevention, Surrey County Council contribution to services and War Memorials. Costs of £71,000 due to the Town Centre Maintenance works were funded from the Town Centre Maintenance Agreement Reserve, and savings of £17,000 on Westfield Common will transfer to the Westfield Common Reserve.

(7) Place Making

The overspend against budget of £2,726,000 is mainly due to overspends on Estates Management (£2,553,000) and employee costs (£267,000), along with other smaller overspends on capital charges (£11,000) and Development Management (£18,000). These were partly offset by underspends on Climate Change (£4,000) and changes to the Carbon Reduction Scheme resulting in most of the budget (£119,000) being unused.

Spend on Development Management temporary staffing was covered by additional fees and charges, mainly from large schemes.

The Wolsey Place, Dukes Court and other Strategic Property variation of £2,361,000 which is made up from a shortfall in income and associated void costs will be funded elsewhere in the accounts by the Wolsey Place, Dukes Court and Strategic Property reserves which was created to fund dilapidations, refurbishments for new tenants and void costs.

The remaining overspend in Estates Management £192,000 is due to the Facilities Management contract £84,000, Consultants £113,000, shortfall in rents from Industrial and other sites and void costs of £113,000. This is partly offset by underspends on NNDR and energy £84,000, and the Market £34,000 which was brought in house during 2018-19.

Us

(8) Democratic Services

The underspend against budget of £1,149,000 is mainly due to additional income from loan arrangement fees of £1,001,000 and underspends on employee costs (£166,000), Corporate Room Hire (£32,000) and Civic Expenses (£25,000). There were offsetting overspends on Banking charges (£5,000) and backdated Members Allowances (£19,000).

Elections were overspent by £52,000. There were other small overspends in employee costs across various headings.

(9) Corporate Services

The underspend against budget is due to an overspend of £4,000 on Statutory Advert costs, offset by savings of some £44,000 on Publication and other PR costs. £12,000 less Advertising income was received than anticipated, and there were underspends on staffing (£7,000) and small shortfalls against income budgets.

(10) Customer Support Services

The overspend against budget of £510,000 is mainly due to an overspend on the net cost of Housing Benefits (£184,000), and an overspend on employee costs of £182,000.

There was also an overspend of £40,000 on Supplies and Services, mainly taxi licensing Criminal Record Checks and payments to Surrey County Council for land charges.

Additionally there was a shortfall of £88,000 on Land Charges fees, which will be offset by any excess made on the service in prior years.

(11) Housing Revenue Account (HRA)

Properties within the Red Line of the Sheerwater Regeneration are being held as vacant to facilitate the commencement of the Sheerwater Project. The estimated full year effect of this is £299,300.

Capital investment in the stock over recent years has allowed repairs/enhancements to be carried out on a planned rather than reactive basis. A review of the schedule of rates applied under the contract has also contributed to this under spend. These savings provided an under spend of £337,400 and offset expenditure on additional works carried out under the NVH Asset Management Plan in 2018/19.

Depreciation replaces the Major Repairs Contribution and is transferred to the Major Repairs Reserve to be used on capital works to the stock or repaying debt. Depreciation was £170,000 lower than budgeted in 2018/19. The transfer to the Housing Investment Programme Reserve will increase by £170,000 to offset this.

The gross rent debit raised was £41,000 less than budgeted in 2018/19. The budget is set based on the stock number at a point in time and an estimate is made for properties being sold through the Right to Buy, new build properties coming on line, and write offs during the year. This variance is combined with a £17,800 increase on the bad debt provision.

A review of the service charge was carried out by NVH and the new charge was introduced with effect from August 2018. In order to ensure affordability to tenants significant increases were implemented incrementally over a number of years and the HRA did not receive the full benefit of this review in 2018/19. This shortfall in income was offset by additional recharge income from Leaseholders for capital works to their properties. The AMP capital works budget assumes the works will be 100% funded by WBC and therefore this additional income provided an under spend.

Employees and overheads were £170,000 less than budgeted in 2018/19.

(12) Investment Programme Revenue Projects

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

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

Woking Borough Council's Responsibilities

The authority is required to:

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

The Chief Finance Officer's Responsibilities

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

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

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

The Chief Finance Officer has also:

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. GENERAL

The accounts have been prepared in accordance with the 2018/19 Code of Practice on Local Authority Accounting in the United Kingdom, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Code is based on International Financial Reporting Standards (IFRS).

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

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

2. PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

3. DEPRECIATION AND AMORTISATION

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

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

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

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

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

Depreciation and amortisation charges are calculated using the straight-line method. For the purposes of the calculation, the useful lives of assets are determined for each individual asset. Where it is not possible to do this, the lives of Mid Range IT Hardware and Software are estimated at 7 years, and other IT assets, Equipment and Vehicles at 5 years. The intangible assets held at 31st March have a finite life and are amortised over a maximum of 7 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 been 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 AND REVENUE RECOGNITION

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

Income is recognised in the accounts to match the timing of the related transfer of goods and services.

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.

From 2018/19 impairment losses are recognised for financial assets in accordance with the expected credit loss model. This recognises credit risk from the initial recognition of the asset, including current debts within term.

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 (e.g. there is a rent-free period at the commencement of the lease).

The Authority as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

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

Operating Leases

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

12. EMPLOYEE BENEFITS

Benefits Payable During Employment

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

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

Termination Benefits

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

Post-Employment Benefits

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

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

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

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

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

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

Service cost comprising:

- current service cost – the increase in liabilities as a result of years of service earned this year, allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years, debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of “Us”;
- net interest on the net defined benefit liability, i.e. net interest expense for the authority – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used 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 83 to 89.

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 categorised and included in the balance sheet in accordance with proper practices and Council policy.

15. FINANCIAL INSTRUMENTS

Financial Liabilities

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

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

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

Financial Assets

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

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

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

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 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 2018/19 (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:-

IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2020.

IAS 40 Investment Property: Transfers of Investment Property provides further explanation of the instances in which a property can be reclassified as investment property. This is not expected to impact the Council.

IFRIC 22 Foreign Currency Transactions and Advance Consideration clarifies the treatment of payments in a foreign currency made in advance of obtaining or delivering services or goods. The Council does not have any material transactions within the scope of the amendment.

IFRIC 23 Uncertainty over Income Tax Treatments provides additional guidance on income tax treatment where there is uncertainty. This is not expected to impact the single entity accounts or the group accounts.

IFRS 9 Financial instruments: prepayment features with negative compensation amends IFRS9 to make clear that amortised cost should be used where prepayments are substantially lower than the unpaid principal and interest. The Council has no loans to which this will apply.

	General Fund (GF)	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	Notes 1/2	Notes 1/2	Note 3	Note 4	Note 5	£000s	Notes 6-12	£000s
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 31 March 2017 carried forward	24,342	10,670	48,366	0	885	84,263	160,374	244,637
MOVEMENT IN RESERVES DURING 2017/18								
Surplus or Deficit (-) on Provision of Services (accounting basis)	-10,094	-3,280	0	0	0	-13,374	0	-13,374
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	4,711	4,711
Total Comprehensive Income and Expenditure	-10,094	-3,280	0	0	0	-13,374	4,711	-8,663
Adjustments between accounting basis & funding basis under regulations	16,410	-279	433	174	950	17,688	-17,687	1
Increase/Decrease (-) before Transfers to Earmarked Reserves	6,316	-3,559	433	174	950	4,314	-12,976	-8,662
Transfers to/from (-) Earmarked Reserves	-285	285	0	0	0	0	0	0
Increase/Decrease in Year	6,031	-3,274	433	174	950	4,314	-12,976	-8,662
Balance at 31 March 2018 carried forward	30,373	7,396	48,799	174	1,835	88,577	147,398	235,975
MOVEMENT IN RESERVES DURING 2018/19								
Surplus or Deficit (-) on Provision of Services (accounting basis)	-31,065	-460	0	0	0	-31,525	0	-31,525
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	-2,367	-2,367
Total Comprehensive Income and Expenditure	-31,065	-460	0	0	0	-31,525	-2,367	-33,892
Adjustments between accounting basis & funding basis under regulations	28,375	-1,431	4,484	-174	611	31,865	-31,852	13
Increase/Decrease (-) before Transfers to Earmarked Reserves	-2,690	-1,891	4,484	-174	611	340	-34,219	-33,879
Transfers to/from (-) Earmarked Reserves (Note 2)	-120	120	0	0	0	0	0	0
Increase/Decrease (-) in Year	-2,810	-1,771	4,484	-174	611	340	-34,219	-33,879
Balance at 31 March 2019 carried forward	27,563	5,625	53,283	0	2,446	88,917	113,179	202,096

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COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Actual 2017/18				Actual 2018/19		
Expenditure £'000	Income £'000	Net Cost £'000		Expenditure £'000	Income £'000	Net Cost £'000
8,530	3,153	5,377	People	20,971	3,545	17,426
27,872	14,344	13,528	Place	23,656	14,739	8,917
36,645	31,314	5,331	Us	36,194	29,994	6,200
17,703	19,458	-1,755	Council Housing	14,156	18,816	-4,660
26,951	24,093	2,858	Investment Programme Projects	14,018	5,577	8,441
117,701	92,362	25,339	NET COST OF SERVICES	108,995	72,671	36,324
		3,466	- Contribution to Housing Pooled Capital Receipts			607
		3,466	Other Operating Expenditure			607
		22,447	- Interest payable and similar charges			28,834
		4,066	- Pensions interest on obligation (pension notes pages 83-89)			4,258
		-2,509	- Expected return on pension assets (pension notes pages 83-89)			-2,624
		-13,148	- Investment interest income			-18,071
		-14,691	- Rentals received on investment properties			-16,268
		5,044	- Expenses incurred on investment properties			5,490
		-531	- Changes in fair value of investment properties			14,224
		0	- Gains(-)/losses on disposal of investment properties			0
		678	Financing & Investment Income & Expenditure			15,843
		-1,776	- Non-domestic rates income and expenditure			-7,022
		-4,932	- Non-ring fenced government grants			-4,482
		-9,401	- Council Tax Income			-9,745
		-16,109	Taxation and Non-Specific Grant Income & Expenditure			-21,249
		13,374	Surplus(-) or Deficit on Provision of Services			31,525
		-2,753	Surplus(-)/deficit on revaluation of Property, Plant & Equipment Assets			-3,191
		-1,958	Actuarial gains(-)/losses on pension assets/liabilities			5,558
		-4,711	Other Comprehensive Income and Expenditure			2,367
		8,663	Total Comprehensive Income and Expenditure			33,892

Explanatory notes to the Comprehensive Income and Expenditure Statement are on pages 43 - 50

BALANCE SHEET

31 MARCH 2018		31 MARCH 2019	
£'000		£'000	£'000
296,855	Property, Plant & Equipment (note 1)	293,725	
147,929	- Council Dwellings	149,533	
5,617	- Other Land and Buildings	5,562	
15,099	- Vehicles, Plant and Equipment	15,100	
20,634	- Community Assets	34,205	
486,134	- Assets Under Construction		498,125
918	Heritage Assets (note 2b)		918
168,150	Investment Property (note 1)		330,431
147	Intangible Assets (note 1)		193
49,309	Long-Term Investments (note 6)		
	- Shareholdings in Companies		49,309
284	Long-Term Debtors (note 7)		
396,401	- Mortgagees		1,669
	- Others		508,742
1,101,343	Long Term Assets		1,389,387
8,001	Short Term Investments (note 11)	10,005	
61	Inventories (note 8)	22	
24,682	Short Term Debtors (note 9)	20,168	
40,104	Cash and Cash Equivalents (note 10)	136,444	
72,848	Current Assets		166,639
-75,081	Short-Term Borrowing (note 11)	-52,637	
-16,894	Short Term Creditors (note 12)	-38,018	
-225	Provision for accrued absences	-132	
-92,200	Current Liabilities		-90,787
-3,968	Provisions (note 16)	-1,189	
-736,623	Long-Term Borrowing (note 13)	-1,149,455	
-28,667	Liabilities from PFI & Similar Contracts (note 26)	-27,752	
-62,193	Liability related to pension scheme (pages 83-89)	-70,747	
-14,565	Capital Grants Receipts in Advance (note 14)	-14,001	
-846,016	Long Term Liabilities		-1,263,144
235,975	Net Assets		202,095

BALANCE SHEET

31 MARCH 2018		31 MARCH 2019	
£'000		£'000	£'000
1,000	General Fund		1,500
29,376	Earmarked Reserves - GF		26,062
6,896	Earmarked Reserves - HRA		5,126
498	Housing Revenue Account		497
174	Major Repairs Reserve		0
48,799	Capital Receipts Reserve		53,283
1835	Capital Grants Unapplied		2,446
88,578	Usable Reserves		88,914
113,147	Revaluation Reserve		115,033
-62,193	Pensions Reserve (pension notes pages 80-86)		-70,747
100,842	Capital Adjustment Account		67,852
5	Deferred Capital Receipts		2
-997	Financial Instruments Adjustment Account		-982
-225	Employee Benefits Reserve		-132
-3,182	Collection Fund Adjustment Account		2,155
147,397	Unusable Reserves		113,181
235,975	TOTAL NET WORTH		202,095

For notes to the Balance Sheet see pages 51-71

For further information on reserve movements during the year, see the notes to the Movement in Reserves Statement on pages 35-42

CASH FLOW STATEMENT

2017/18		2018/19	
		£'000	£'000
	<u>Revenue Activities</u>		
-13,374	Net surplus/deficit (-) on the provision of services	-31,525	
15,299	Adjust net surplus/deficit (-) for non-cash movements (Note 1)	47,060	
1,925	Net cash flow from operating activities		15,535
	<u>Investing activities</u>		
	<u>Cash Outflows</u>		
-65,629	Purchase of fixed assets and revenue expenditure funded from capital under statute	-138,746	
-162,421	Loans to subsidiaries and joint ventures	-177,402	
-18,576	Shareholdings in Companies	-2,286	
-246,626			-318,434
	<u>Cash Inflows</u>		
14,756	Sale of assets	3,378	
28,908	Capital grants received	7,424	
615	Movement in other long term debtors	0	
1,843	Other capital cash receipts	3,069	
46,122			13,871
-200,504	Net cash flow from investing activities		-304,563
-198,579	Net cash flow before financing		-289,028
	<u>Management of Liquid Resources</u> (Notes 3, 4)		
-4,001	Net movement in short term deposits	-2,004	
-4,001			-2,004
	<u>Financing Activities</u> (Notes 2, 3)		
	<u>Cash Outflows</u>		
-8,964	Repayments of long term borrowing	-29,302	
-105,000	Repayments of short term borrowing	-103,400	
-	Payment of PFI lease liability	-926	
-113,964			-133,628
	<u>Cash Inflows</u>		
245,500	New long term loans raised	433,000	
101,000	New short term loans raised	88,000	
346,500			521,000
232,536	Net cash flow from financing activities		387,372
228,535			385,368
29,956	Net increase/decrease (-) in cash and cash equivalents		96,340
10,148	Cash and cash equivalents at 1 April		40,104
40,104	Cash and cash equivalents at 31 March		136,444

For notes to the Cash Flow Statement see pages 72-73

MOVEMENT IN RESERVES STATEMENT EXPLANATORY NOTES

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

	2018/19 £'000	2017/18 £'000
Surplus (-) or deficit for the year on the Comprehensive Income and Expenditure Statement	31,525	13,374
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	-31,525	-13,374
Transfer from Investment Strategy Reserve	500	0
Increase in General Fund Balance for the Year	500	0
Balance on General Fund brought forward	1,000	1,000
Balance on General Fund carried forward	1,500	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	2018/19 £'000	2017/18 £'000
Depreciation and impairment of fixed assets	-3,810	-3,439
Revaluation of fixed assets	-25,495	-5,736
Capital grants with no outstanding conditions	4,845	23,026
Write down of Revenue Expenditure Funded from Capital by Statute	-11,588	-24,538
Net gain/loss on sale of investment properties	0	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	15	15
Adjustments made for accumulated absences	93	-38
Net charges made for retirement benefits in accordance with IAS19	-2,996	-2,130
	-38,936	-12,840

Amounts not included in the Comprehensive Income and Expenditure Statement but required to be included by statute when determining the Movement on the General Fund Balance for the year		
Minimum revenue provision for capital financing (a)	4,849	4,062
Transfer to/from Collection Fund adjustment account	5,337	-5,382
Transfer from Capital Receipts Reserve to meet payments to the Housing Capital Receipts Pool	-607	-3,466
	9,579	-4,786

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	-1	-4
Net transfer to (+) or from (-) earmarked reserves	-2,167	4,256
	-2,168	4,252
Net transfer to (+)/from (-) reserves required by legislation	-31,525	-13,374

(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 policy as approved by the Council on 8 February 2018.

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 1.4.17 £'000	Receipts in Year £'000	Payments in Year £'000	Balance 1.4.18 £'000	Receipts in Year £'000	Payments in Year £'000	Balance 31.3.19 £'000
General Fund							
Investment Programme							
Reserves:							
- Investment Strategy Reserve	4,983	6,085	-6,969	4,099	1,203	-2,007	3,295
- Information Technology	0	180	-180	0	180	-180	0
Flexibility Reserve	98	10	-1	107	10	0	117
Freda Ebel Bequest	13	0	0	13	0	-3	10
Insurance Fund	521	0	-68	453	0	-63	390
Community Fund	224	306	-176	354	175	-152	377
Leased Car Relief Vehicle							
Reserve	9	0	-2	7	0	-6	1
Parking Reserve	160	0	-21	139	0	-139	0
Environmental Reserve	35	0	0	35	0	0	35
Wolsey Place Reserve	6,325	599	-1,009	5,915	485	-2,271	4,129
Group Company Reserve	750	0	0	750	0	0	750
Peer Grant Reserve	38	0	0	38	0	0	38
New Homes Bonus Reserve	1,352	620	-733	1,239	386	-815	810
Woking Palace Reserve	25	12	0	37	3	0	40
Equipment Reserve	280	50	0	330	50	0	380
Westfield Common Reserve	35	18	0	53	17	0	70
Business Rate Equalisation	2,199	5,364	-1,561	6,002	0	-2,851	3,151
Local Council Tax Support	48	0	0	48	0	0	48
Sheerwater Reserve	0	118	0	118	238	-118	238
PFI Reserve	2,753	0	0	2,753	0	-14	2,739
Victoria Square Reserve	459	595	-258	796	932	-631	1,097
MTFS Reserve	2,700	744	0	3,444	1,527	0	4,971
Town Centre Management							
Agreement Reserve	338	110	-216	232	296	-246	282
Off Street Parking Reserve	0	1,000	0	1,000	1,000	0	2,000
Syrian Refugee Reserve	0	371	0	371	51	0	422
Homelessness Support Reserve	0	203	0	203	103	0	306
Dukes Court Reserve	0	840	0	840	0	-474	366
	23,345	17,225	-11,194	29,376	6,656	-9,970	26,062
Housing Revenue Account							
Housing Investment Programme							
	10,167	2,350	-5,621	6,896	1,497	-3,267	5,126
Total Earmarked Reserves	33,512	19,575	-16,815	36,272	8,153	-13,237	31,188

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. USABLE CAPITAL RECEIPTS

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

	2018/19	2017/18
<u>Movements in realised capital resources</u>	£'000	£'000
Amounts receivable	65,814	16,601
Transfer of principal repayments (rec'd) from Deferred Capital Receipts	3	0
Amounts transferred to DCLG for Pooling	-607	-3,466
Amounts used to offset Sale of Council Houses Admin	-20	-26
Amounts applied to finance new capital expenditure	-60,706	-12,676
Total increase/decrease(-) in realised capital resources	4,484	433
Balance brought forward at 1 April	48,799	48,366
Balance carried forward at 31 March	53,283	48,799
Group company loan repayments	48,032	44,951
Held for replacement housing	4,111	4,224
Held for other investment programme use	1,140	-376
	53,283	48,799

4. MAJOR REPAIRS RESERVE

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

	2018/19 £'000	2017/18 £'000
Expenditure financed from the Major Repairs Reserve	-3,986	-3,622
HRA Depreciation transferred from Capital Adjustment Account	3,812	3,796
Total movement on the Major Repairs Reserve	-174	174
Balance brought forward at 1 April	174	0
Balance carried forward at 31 March	0	174

For further information on the Major Repairs Reserve and the Major Repairs Contribution see note 4 to the Housing Revenue Account on page 77.

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.

	2018/19 £'000	2017/18 £'000
Usable capital grants receivable	2,624	20,907
Capital grant unspent with no conditions transferred from I&E	682	1,305
Grant income transferred to I&E	-2,624	-20,907
Use of prior year capital grants to finance capital expenditure	-71	-355
Total movement on Capital Grants Unapplied	611	950
Balance brought forward at 1 April	1,835	885
Balance carried forward at 31 March	2,446	1,835

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.

	2018/19 £'000	2017/18 £'000
<u>Movements in unrealised value of fixed assets</u>		
Gains \ losses(-) on revaluation of fixed assets	3,191	2,753
Depreciation On Revalued Assets	-1,305	-1,325
Total increase in unrealised capital resources	1,886	1,428
Balance brought forward at 1 April	113,147	111,719
Balance carried forward at 31 March	115,033	113,147

7. PENSIONS RESERVE

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

	2018/19 £'000	2017/18 £'000
Difference between amounts charged to the Comprehensive Income and Expenditure Statement and actual amounts payable in the year	-2,996	-2,130
Actuarial gains/(losses)	-5,558	1,958
Total movement on the pension reserve	-8,554	-172
Balance brought forward at 1 April	-62,193	-62,021
Balance carried forward at 31 March	-70,747	-62,193

7. PENSIONS RESERVE (cont.)

	--- Year to 31 March ---		
	2019	2018	2017
	£'000	£'000	£'000
Balance brought forward at 1 April	-43,768	-45,726	-37,086
Actuarial Gain/(Losses) recognised in Movement in Reserves Statement	-5,558	1,958	-8,640
Cumulative Actuarial Gain and Losses at 31 March	<u>-49,326</u>	<u>-43,768</u>	<u>-45,726</u>

For further information on the Pension Fund, see pensions explanatory notes on pages 83-89.

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.

	2018/19	2017/18
	£'000	£'000
<u>Amounts applied to Capital Investment:</u>		
Useable receipts applied	60,706	12,676
Amounts applied from Major Repairs Reserve	3,986	3,622
Amounts applied from HIP Reserve	1,829	887
Revenue reserves applied:		
- Investment Strategy Reserve	203	368
- Community Fund	76	74
- Insurance Reserve	0	0
- IT Reserve	180	180
- PFI Reserve	14	0
- Wolsey Place Reserve	130	6
- Victoria Square Reserve	1	6
- Equipment Reserve	0	0
Total amounts applied to Capital Investment	<u>67,125</u>	<u>17,819</u>
<u>Amounts transferred to the General Fund balance</u>		
Write down Revenue Expenditure Funded from Capital by Statute	-11,588	-24,538
Grants and Contributions applied	4,163	21,721
Grant and Contributions applied from prior year grants	71	355
Provision for loan repayment (MRP)	4,849	4,062
Less: Depreciation	-3,807	-3,437
Plus: Depreciation on Revalued Assets	1,305	1,325
Total transfer to the General Fund	<u>-5,007</u>	<u>-512</u>
Transfer HRA depreciation to Major Repairs	-3,812	-3,796
Write down of long term debtors	-62,423	-1,844
Disposal Of Fixed Assets	-3,378	-14,756
Investment Property Revaluations	-14,225	531
Revaluation increase\decreases recognised in the Provision of Services	-11,270	-6,267
Total increase in amounts set aside to finance capital investment	<u>-32,990</u>	<u>-8,825</u>
Balance brought forward at 1 April	100,842	109,667
Balance carried forward at 31 March	<u>67,852</u>	<u>100,842</u>

9. DEFERRED CAPITAL RECEIPTS

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

	31 March 2018 £'000	2018/19 Additions £'000	2018/19 Transfer out £'000	31 March 2019 £'000
Sale of Council House Mortgages	5	0	-3	2
Deferred Capital Receipts	5	0	-3	2

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.

	2018/19 £'000	2017/18 £'000
<u>Movements in financial instruments</u>		
Overhanging premia written off to I&E	16	16
Being adjustment to value of soft loan	-4	-4
Being adjustment to I&E to reflect LOBO Effective Interest Rate	3	3
Total adjustment in financial instruments	15	15
Balance brought forward at 1 April	-997	-1,012
Balance carried forward at 31 March	-982	-997

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).

	2018/19 £'000	2017/18 £'000
Movement in year - General Fund	-71	31
Movement in year - HRA	-22	7
Total adjustment	-93	38
Balance brought forward at 1 April	225	187
Balance carried forward at 31 March	132	225

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.

	2015/16 £	2016/17 £	2017/18 £	2018/19 £
Council's share of in-year Collection Fund surplus/deficit (-) : Council Tax	116,265	136,734	98,683	29,508

	31 March		
	2017 £	2018 £	2019 £
Balance on Collection Fund Adjustment Account:			
- Council Tax	252,999	235,417	128,191
- Business Rates	1,946,366	-3,417,281	2,026,837
	<u>2,199,365</u>	<u>-3,181,864</u>	<u>2,155,028</u>

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT EXPLANATORY NOTES

1. a) EXPENDITURE AND FUNDING ANALYSIS

2018/19

	Net Expenditure Chargeable to the General Fund & HRA Balances	Adjustments between Funding and Accounting Basis (Note 1.(b))	Net Expenditure in the Comprehensive Income & Expenditure Statement
	£000	£000	£000
People	9,885	7,540	17,425
Place	-5,672	14,590	8,918
Us	4,931	1,271	6,202
Council Housing (Housing Revenue Account)	-6,382	1,723	-4,659
Investment Programme Projects (General Fund)	2,433	6,008	8,441
NET COST OF SERVICES	5,195	31,132	36,327
Other income and expenditure	-614	-4,185	-4,799
Surplus(-) or deficit on Provision of Services	4,581	26,947	31,528

Opening General Fund & HRA Balance at 1 April 37,770

Deficit(-)/Surplus on General Fund & HRA Balance in Year -4,581

Closing General Fund & HRA Balance at 31 March 33,189

Analysed between General Fund & HRA Balances

	General Fund £000	HRA £000	Total £000
Opening General Fund & HRA Balance at 1 April	30,376	7,394	37,770
Less Deficit/Surplus(-) on General Fund & HRA Balance in Year	-2,810	-1,771	-4,581
Closing General Fund & HRA Balance at 31 March	27,566	5,623	33,189

2017/18

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

Opening General Fund & HRA Balance at 1 April 35,014

Deficit(-)/Surplus on General Fund & HRA Balance in Year 2,757

Closing General Fund & HRA Balance at 31 March 37,771

Analysed between General Fund & HRA Balances

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

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

Adjustments to arrive at the Comprehensive Income and Expenditure Statement amounts in 2018/19	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	7,317	223	0	7,540
Place	3,520	290	10,778	14,588
Us	91	279	901	1,271
Council Housing (Housing Revenue Account)	1,554	191	-22	1,723
Investment Programme - REFFCUS (Note vi)	11,585	0	0	11,585
Investment Programme - Grants/Other Income (Notes vii)		0	-5,577	-5,577
	24,067	983	6,080	31,130
Other income and expenditure from the Funding Analysis (Note v)	5,311	2,013	-11,510	-4,186
Difference between the General Fund and Comprehensive Income and Expenditure Surplus or Deficit (Note iv)	29,378	2,996	-5,430	26,944

Notes

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

ii) Column includes pension adjustments required by IAS19.

iii) Column includes:

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

iv) Total adjustments agrees to the "Adjustments between accounting basis & funding basis under regulations" in respect of the General Fund and Housing Revenue Account (columns) in the Movement in Reserves Statement on page 30.

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 (£219,942 in 2018/19 and £0 in 2017/18).

Adjustments to arrive at the Comprehensive Income and Expenditure Statement amounts in 2017/18	Adjustments for Capital Purposes (Note i)	Net change for the Pensions Adjustments (Note ii)	Other Differences (Note iii)	Total Adjustments
	£000	£000	£000	£000
People	-2,337	158	0	-2,179
Place	8,103	284	9,647	18,034
Us	282	256	203	741
Council Housing (Housing Revenue Account)	4,952	103	7	5,062
Investment Programme - REFFCUS (Note vi)	24,535	0	0	24,535
Investment Programme - Grants/Other Income (Notes vii)	0	0	-24,094	-24,094
	35,535	801	-14,237	22,099
Other income and expenditure from the Funding Analysis (Note v)	-26,954	1,329	19,657	-5,968
Difference between the General Fund and Comprehensive Income and Expenditure Surplus or Deficit (Note iv)	8,581	2,130	5,420	16,131

2. AGENCY SERVICES

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

3. OTHER FINANCIAL ADJUSTMENTS

These adjustments are made up as follows:

	<u>2018/19</u>	<u>2017/18</u>
	£'000	£'000
Balance from Salary Cost Units	1	-4
Increase in Bad Debts provision	127	148
Debit/Credit(-) on Insurance Fund	63	67
Other miscellaneous transactions	14	-102
	205	109

4. MEMBERS' ALLOWANCES

Members' Allowances of £282,334 are included in the Comprehensive Income and Expenditure Statement for 2018/19, compared with £263,922 for 2017/18. This includes telephone, broadband, Blackberry/iPad, travel and dependant care allowances. In addition, all Members qualify for Car Park Season tickets.

5. OPERATING LEASES

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

	<u>Lease Payments</u>	
	<u>2018/19</u>	<u>2017/18</u>
	£'000	£'000
Property	1,248	1,148
Vehicles	246	231
Other Equipment	15	14
	1,509	1,393

	<u>Lease payments due:</u>		
	<u>Within 1 year</u>	<u>2-5 years</u>	<u>Over 5 years</u>
	£'000	£'000	£'000
<u>2018/19</u>			
Property	1,221	980	5,871
Vehicles	213	259	0
Other Equipment	15	3	0
	1,449	1,242	5,871
<u>2017/18</u>			
Property	1,076	1,264	5,982
Vehicles	167	129	0
Other Equipment	14	16	0
	1,257	1,409	5,982

In addition the Council generates income from property leases, amounting to £16.9m in 2018/19 (£14.7m in 2017/18). Ongoing leases will generate future income of £16m in 2019/20, £41m in 2020/21 to 2022/23 and £153m from 2023/24 onwards.

6. RELATED PARTIES

The only material related party relationships involving Members or Chief Officers in 2018/19 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 2018/19, are detailed fully in note 6 and note 7 to the Balance Sheet.

The Council paid Thamesway Energy Limited (TEL) £2.6m for the provision of energy services to council owned properties, £3.5k to Thamesway Sustainable Communities Limited for consultancy support, £251k to Thamesway Maintenance Services Ltd for maintenance and upgrade works. Income of £476k 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), £2.2 million, Thamesway Housing, £42.9 million, Thamesway Developments Ltd on behalf of Thamesway Housing, £11.5 million, Thamesway Developments Ltd relating to the Sheerwater Regeneration, £3 million, Thamesway Energy Limited for Poole Road Energy Centre, £1 million, Thamesway Housing Limited for Sheerwater property purchases, £21.1 million, Victoria Square Woking Ltd, £94.1 million, to provide the companies with resources to advance their businesses. Dukes Court repaid a loan of £59.4m during the financial year.

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 80. 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

	Chargeable £'000	Non Chargeable £'000	Total £'000
Expenditure 2018/19			
Employee expenses	226	227	453
Supplies and services	46	1	47
Central and support service charges	21	21	42
	293	249	542
Income 2018/19			
Building regulation charges	396	0	396
Surplus/Deficit (-) 2018/19	103	-249	-146
Expenditure 2017/18			
Employee expenses	219	223	442
Supplies and services	72	1	73
Central and support service charges	13	13	26
	304	237	541
Income 2017/18			
Building regulation charges	389	0	389
Surplus/Deficit (-) 2017/18	85	-237	-152

8. DEBTS WRITTEN OFF UNDER DELEGATED AUTHORITY

	Number	Value £
<u>2018/19</u>		
Debtors absconded	78	57,846
Debtors in liquidation/bankrupt etc.	122	218,308
Debtors deceased	44	16,081
Debts time barred	165	221,683
Debts uneconomical to pursue	577	75,818
Debts otherwise irrecoverable	148	262,427
Debts with Credit Balance written off	471	-54,093
Debtors Legal Fees written off	9	834
	1,614	798,904

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

9. EXTERNAL AUDIT FEES

	<u>2018/19</u> £'000	<u>2017/18</u> £'000
Fees payable to the external auditors:		
- in respect of statutory Code of Practice audits	42	55
- for the certification of grant claims and returns	10	12
	52	67

10. IMPAIRMENT

The net revaluation movement recognised in the Surplus/Deficit on the Provision of Services included a £11,312,428 and £19,947,522 revaluation loss Other Land and Buildings and Investment Property assets respectively in 2018/19 (£4,563,663 and £12,050,000 in 2017/18). 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>2018/19</u>	<u>2017/18</u>
Upto £9,999	5	8
£10,000 to £19,999	2	1
£20,000 to £29,999	2	3
£30,000 to £39,999	-	2
£40,000 to £49,999	-	2
£50,000 to £59,999	-	1
£60,000 to £69,999	-	-
£70,000 to £79,999	-	-
£80,000 to £89,999	1	-
£90,000 to £99,999	-	-
£100,000 to £109,999	-	-
£110,000 to £119,999	-	-
£120,000 to £129,999	-	-
£130,000 to £139,999	-	-
£140,000 to £149,999	-	-
£280,000 to £289,999	1	-
	11	17

The total cost of exit packages charged to the authority's Comprehensive Income and Expenditure Statement in the current year is £466,068 (£321,372 in 2017/18). There was 1 compulsory redundancy in 2018/19 (none in 2017/18).

12. REMUNERATION TO EMPLOYEES OVER £50,000

<u>Remuneration band</u>	<u>Number of Employees</u>	
	<u>2018/19</u>	<u>2017/18</u>
£50,000 to £54,999	12	14
£55,000 to £59,999	7	3
£60,000 to £64,999	7	10
£65,000 to £69,999	4	4
£70,000 to £74,999	3	3
£75,000 to £79,999	1	-
£80,000 to £84,999	-	1
£85,000 to £89,999	2	1
£90,000 to £94,999	-	-
£95,000 to £99,999	-	1
£100,000 to £104,999	-	-
£105,000 to £109,999	-	-
£110,000 to £114,999	-	-
£115,000 to £119,999	-	1
£120,000 to £124,999	2	-
£125,000 to £129,999	1	1
£180,000 to £184,999	1	-
	40	39

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)	2018/19				2017/18	
	Annual Remuneration (Including fees & allowances) £	Compensation for loss of office £	Total Remuneration excluding pension contributions £	Pension contributions £	Total Remuneration including pension contributions £	Total Remuneration including pension contributions £
Chief Executive (Note 1)	128,893	0	128,893	0	128,893	128,584
Deputy Chief Executive (Note 1)	124,263	0	124,263	17,668	141,931	134,534
Strategic Director	0	0	0	0	0	65,000
Strategic Director (Note 1 & 2)	52,111	130,534	182,645	5,835	188,480	110,512
Head of Democratic and Legal Services (Note 1)	89,338	0	89,338	12,998	102,336	100,521
Finance Director (Chief Finance Officer) (Note 3)	71,434	0	71,434	10,356	81,790	79,468
	466,039	130,534	596,573	46,857	643,430	618,618

Note 1: Includes payments for a Borough Election and Surrey County Council by-election duties held during 2018/19.

Note 2: The Strategic Director's post became redundant on 31st August 2018.

Note 3: The Finance Director works 30 hours per week. The annualised remuneration is equivalent to £86,648.

14. EXPENDITURE AND INCOME ANALYSED BY NATURE

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

Expenditure/Income	2018/19 £'000	2017/18 £'000
Expenditure		
Employee benefit expenses	20,712	19,205
Other services expenses	66,731	68,845
Depreciation, amortisation, impairment	61,288	37,363
Interest payments	28,834	22,447
Payments to Housing Capital Receipts Pool	607	3,466
Total Expenditure	178,172	151,326
Income		
Fees, charges and other service income	91,296	108,694
Interest and investment income	18,071	13,148
Income from council tax and non-domestic rates	16,767	11,036
Government grants and contributions	4,482	5,074
Total Income	130,616	137,952
Surplus or Deficit on the Provision of Services	47,556	13,374

BALANCE SHEET EXPLANATORY NOTES

1. MOVEMENT OF FIXED ASSETS

	BALANCE SHEET EXPLANATORY NOTES									
	Council Dwellings	Other Land & Buildings	Vehicles and Plant	Community Assets	Investment Properties	Assets Under Construction	Intangible Assets	Heritage Assets	Assets Held For Sale	TOTAL
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2018	296,855	150,024	21,083	15,099	168,151	20,634	811	918	0	673,575
Additions (b)	10,781	1,840	1,176	1	178,863	14,877	82	0	0	207,620
Accumulated Depreciation & Impairment Written Off To Gross Carrying Amount	-3,812	-1,650	0	0	0	0	0	0	0	-5,462
Revaluation increases/decreases(-) recognised in the Revaluation Reserve (c) & (d)	-6,721	9,912	0	0	0	0	0	0	0	3,191
Revaluation increases/decreases(-) recognised in the Surplus/Deficit on the Provision of Services (c) & (d)	0	-11,270	0	0	-14,225	0	0	0	0	-25,495
Derecognition - Disposals	-3,378	0	0	0	0	0	0	0	0	-3,378
Derecognition - Other	0	0	0	0	0	0	0	0	0	0
Other Movement In Costs or Valuation	0	3,664	0	0	-2,358	-1,306	0	0	0	0
At 31 March 2019	293,725	152,520	22,259	15,100	330,431	34,205	893	918	0	850,051
Accumulated Depreciation & Impairment										
At 1 April 2018	0	-2,095	-15,466	0	0	0	-664	0	0	-18,225
Depreciation Charge for 2018/19	-3,812	-2,540	-1,231	0	0	0	-36	0	0	-7,619
Accumulated Depreciation & Impairment Written Off To Gross Carrying Amount	3,812	1,648	0	0	0	0	0	0	0	5,460
Derecognition - Other	0	0	0	0	0	0	0	0	0	0
At 31 March 2019	0	-2,987	-16,697	0	0	0	-700	0	0	-20,384
Net Book Value										
At 31 March 2019	293,725	149,533	5,562	15,100	330,431	34,205	193	918	0	829,667
At 31 March 2018	296,855	147,929	5,617	15,099	168,151	20,634	147	918	0	655,350

Cost or Valuation	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
	293,656	142,628	18,554	20,943	174,707	9,968	773	918	0	662,147
	11,251	3,300	2,529	131	7,079	10,241	38	0	0	34,569
	-3,795	-1,607	0	0	0	0	0	0	0	-5,402
	-251	3,415	0	-411	0	0	0	0	0	2,753
	0	-2,072	0	-4,195	531	0	0	0	0	-5,736
	-4,006	0	0	0	-10,750	0	0	0	0	-14,756
	0	0	0	0	0	0	0	0	0	0
	0	4,360	0	-1,369	-3,416	425	0	0	0	0
296,855	150,024	21,083	15,099	168,151	20,634	811	918	0	673,575	
[C]										
Accumulated Depreciation & Impairment										
	0	-1,183	-14,584	0	0	0	-628	0	0	-16,395
	-3,795	-2,519	-882	0	0	0	-36	0	0	-7,232
	3,795	1,607	0	0	0	0	0	0	0	5,402
	0	0	0	0	0	0	0	0	0	0
	0	-2,095	-15,466	0	0	0	-664	0	0	-18,225
	296,855	147,929	5,617	15,099	168,151	20,634	147	918	0	655,350
	293,656	141,445	3,970	20,943	174,707	9,968	145	918	0	645,752
	[C]-[D]									

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

	2019 £'000	2018 £'000
General Fund	535,942	358,495
Housing	293,725	296,855
Net Assets at 31 March	829,667	655,350

	2018/19 £'000	2017/18 £'000
(b) Total Expenditure on capital investment	395,960	240,643
Less: expenditure where no asset is owned by the Council	-188,340	-206,074
Additions to fixed assets and assets under construction	207,620	34,569

All additions to intangible assets were purchased software licences. Additions to Investment Properties were £174,932,000 acquired assets (£4,224,320 in 2017/18) and £2,879,000 subsequent expenditure on owned assets (£2,855,082 in 2017/18).

Additions include £197,403 of borrowing costs (£302,600 in 2017/18), 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:

	2018/19 £'000	2017/18 £'000
Renovation, Improvement & Purchase of Council Dwellings	14,039	11,251
Improvement Grants & Other Major Deferred Charges	11,587	24,007
Loan & Capitalisation Payments To Group Co's & Other Organisations	176,572	110,449
Wolsey Place Investment	2,375	580
Ten Acre Farm	3	134
Provincial House Alterations	1	89
Hoe Valley School Sports Facilities	1,757	8,806
Cleary Court	0	257
Morris House	217	1,253
6 Church Street West	0	347
Orion Gate	7	163
Civic Offices Ground Floor Works	321	1,250
34 High Street, Old Woking Purchase	3	1,014
Format House Purchase	0	1,792
7 Hill View Road Purchase	0	753
13 High Street Purchase	0	702
81 Westfield Avenue Purchase	0	696
1 Smarts Heath Road	0	951
West Hill Cottage Purchase	0	704
Waste Vehicles Purchase	71	2,101
Clocktower (Red House) Purchase	6,292	0
7 Guildford Road Purchase	617	0
The Lodge Cemetery Pales Purchase	856	0
CMS House, Poole Road Purchase	1,984	0
Victoria Gate Purchase	37,853	0
Midas House Purchase	25,293	0
Woking One Purchase	28,903	0
Dukes Court Purchase	72,350	0
20a, 21, and 21a High Street Purchase	679	0
Land at Byfleet Purchase	9,490	0
1 Connaught Road Purchase	765	0

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

(d) For details of impairment please see note 10 in the Comprehensive Income and Expenditure Statement Explanatory Notes. The £1,358,000 net revaluation loss on Other Land & Buildings included a total £20,590,000 revaluation loss due to a fall in value for some assets. £7,736,000 of this was charged directly to the Revaluation Reserve in 2018/19 offsetting previous upward revaluations.

2. INFORMATION ON ASSETS HELD

Woking Borough Council owned the following assets at 31 March:

	2019 Number	2018 Number
Dwellings (HRA and General Fund)	3,350	3,324
Multi-Storey Car Parks	5	5
Surface Car Parks	10	10
Depots	2	2
Parks, Open Spaces, Commons (hectares)	311	308
Allotments (hectares)	16	16
Lake	1	1
Athletics Arena	1	1
Swimming Pools	1	1
Leisure Centre	1	1
Entertainment Centre	1	1
Conference Centre	1	1
General Market	2	2
Public Conveniences	15	15
Centres for the Community	6	6
Recycling Centre	1	1
Land at Brookwood Cemetery	1	1
Shopping Centres	2	2
Shops	36	36
Civic Offices (including Mobility Exchange)	1	1
Community Facilities	30	30
Pavilions	16	16
Other Properties (including investment properties)	58	49
Industrial Estates	6	6
Tennis Centre	1	1
Library	1	1
Childrens' Nurseries	2	2
Theatre Cinema Complex	1	1
Doctors\Dentist Surgeries	5	5
Boat House	1	1
Other miscellaneous Community Assets	17	17
Land for Development (hectares)	11	11

2b. HERITAGE ASSETS

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

	2018/19		2017/18	
	Number	£'000	Number	£'000
Fountains	1	100	1	100
Sculptures and Statues	9	303	9	303
Works of Art and Murals	11	222	11	222
Civic Regalia	4	169	4	169
Town Gates and War Memorial	2	124	2	124
	27	918	27	918

2b. HERITAGE ASSETS (cont.)

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 2019 or 31 March 2018.

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 2019 or 31 March 2018.

3. CAPITAL FINANCING

	2018/19 £'000	2017/18 £'000
<u>Capital Investment</u>		
Property, Plant and Equipment	28,675	27,452
Investment Properties	178,863	7,079
Intangible Assets	82	38
Revenue Expenditure Funded from Capital under Statute	11,588	24,538
Investments in Group/External Companies - Shares	0	18,576
	<u>219,208</u>	<u>77,683</u>
Investments in Group Companies - Loans	177,042	162,421
Long Term Debtors	1,419	539
Refinancing of Long Term Debtors	-1,709	0
	<u>395,960</u>	<u>240,643</u>
<u>Sources of Finance</u>		
Capital Grant and Contributions	4,234	22,076
Borrowing - Capital Investment	147,874	37,841
Borrowing - Other	176,726	162,910
Reserves	6,419	5,143
Capital Receipts	60,706	12,676
	<u>395,959</u>	<u>240,646</u>
Opening Capital Financing Requirement	439,605	405,826
Increase in underlying need to borrow (unsupported by government financial assistance)	147,874	37,841
Minimum revenue provision	-4,849	-4,062
Closing Capital Financing Requirement	<u>582,630</u>	<u>439,605</u>

4. CAPITAL COMMITMENTS

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

	2019 £'000	2018 £'000
Victoria Square	324,902	351,741
Acquisition of Car Park (Victoria Square)	58,000	58,000
Lakeview Community Centre Refurbishment	84	84
Hoe Valley School and Community Facilities	0	2,807
Hoe Valley Flood Alleviation and Prevention	219	171
Property Acquisition	0	6,292
Sheerwater Infrastructure Improvements	0	121
Civic Offices Ground Floor Refurbishment	0	250
Woking Integrated Transport Plan	6,006	11,483
Freedom Leisure - Pool and Leisure Centre	950	0
Victoria Way Car Park Extension	0	0
Mechanical Upgrade Works - Leisure Facilities	600	0
	390,761	430,949

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

5. FIXED ASSET VALUATION

The Council's freehold and leasehold properties have been valued on a five year rolling programme. Assets are revalued more regularly where a five yearly valuation is insufficient to keep pace with material changes in value. General Fund asset valuations have been carried out by RICS Registered Valuers (Wilks Head & Eve) reporting to the qualified officers of the Council's Estate Management Section. Valuations for Council Dwelling related assets have been carried out by the Council's Estate Management Section. The latest valuations have been completed at 31 March 2019.

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.

5. FIXED ASSET VALUATION (cont.)

The Fair Value valuations carried out in 2018/19 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 2019 £'000	31 March 2018 £'000
<u>Shareholdings in Companies</u>		
Thameswey Limited	31,193	31,193
Woking Necropolis and Mausoleum Limited	6,000	6,000
Woking Town Centre Management	1	1
Victoria Square Woking Limited	14	14
Local Capital Finance Company	50	50
Surrey Save Credit Union	50	50
Dukes Court	12,001	12,001
	<u>49,309</u>	<u>49,309</u>

Further information about the Council's group companies and joint ventures is shown on pages 93 - 94.

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 46.

	31 March 2019 £'000	31 March 2018 £'000
Thamesway Energy Limited	13,214	14,718
Thamesway Central Milton Keynes Limited	30,816	29,496
Thamesway Housing Limited	146,310	103,476
Thamesway Solar Limited	1,315	1,462
Thamesway Developments (THL)	67,750	56,250
Thamesway Developments (Sheerwater)	5,000	2,000
Thamesway Developments (TEL)	2,000	0
Thamesway Housing (Sheerwater)	30,951	10,174
Dukes Court	0	59,354
Rutland Woking Limited	1,565	0
Victoria Square Woking Limited	198,549	105,921
Peacocks	6,350	6,350
Woking Hospice	8,557	8,036
Tante Marie	0	1,709
Byfleet Scouts	100	100
Woking Football Club	100	135
Freedom Leisure	905	0
Mortgages	1,669	284
Other Long Term Debtors	80	114
Repayments due within 1 year	-4,820	-2,894
	<u>510,411</u>	<u>396,685</u>

In addition to loans to Group Companies, Long Term Debtors also 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 2019 £'000	31 March 2018 £'000
Stocks and Stores	22	61
Work in Progress	0	0
	<u>22</u>	<u>61</u>

9. DEBTORS AND PREPAYMENTS

	31 March 2019 £'000	31 March 2018 £'000
<u>Government</u>		
Enterprise M3 (EM3)	0	2,847
Education Funding Agency (EFA)	0	506
Other Central Government Bodies	1,233	1,481
<u>Non Government</u>		
Local Tax Payers	1,014	1,018
Housing Rents, Rates & Water	1,126	1,086
Rechargeable Works	135	126
Sundry Debtors	11,018	7,802
Prepayments	970	7,264
Accrued Interest on Long Term Debtors	2,492	2,632
Long term Debtors amounts due within 1 year	4,820	2,894
Bad Debt Provision – see below	-2,640	-2,974
	<u>20,168</u>	<u>24,682</u>

The Bad Debt Provision was made up of:

	2019 £'000	2018 £'000
Housing Rents	318	300
Other Sundry Debtors	409	729
Benefits	1,064	982
Housing Deposits	431	552
Council Tax	142	135
Business Rates	271	271
Rechargeable Works	5	5
	<u>2,640</u>	<u>2,974</u>

10. CASH AND CASH EQUIVALENTS

	31 March 2019 £'000	31 March 2018 £'000
Cash	8,415	10,098
Standard Life Investments (previously Ignis)	0	30,006
Deutsche Bank Advisors	30,006	0
Federated Prime Rate Liquidity Fund	50,010	0
LGIM Fund	48,013	0
	<u>136,444</u>	<u>40,104</u>

11. SHORT TERM INVESTMENTS AND BORROWING

	31 March 2019 £'000	31 March 2018 £'000
<u>Deposits of Temporary Surplus Funds</u>		
Stockport Metropolitan Borough Council	0	4,001
Suffolk County Council	0	4,000
Surrey County Council	10,005	0
	10,005	8,001
<u>Short term borrowing</u>		
North Yorkshire County Council	5,023	10,019
Middlesbrough Council	3,016	10,013
London Borough of Ealing	5,010	5,008
Hampshire County Council	5,017	5,003
Somerset County Council	0	5,004
Surrey County Pension Fund	0	5,004
Derbyshire County Council	0	10,008
Chichester District Council	2,011	0
London Borough of Merton	5,028	0
London Borough of Havering	5,023	0
South Gloucestershire Council	5,022	0
Loans reclassified from long term as due within one year	10,066	19,601
	45,216	69,660
Accrued interest on long term borrowing	7,104	5,407
Accrued interest on short term creditor	302	0
Amounts held on behalf of Mayors Appeal	15	14
	52,637	75,081

12. CREDITORS AND RECEIPTS IN ADVANCE

	31 March 2019 £'000	31 March 2018 £'000
<u>Government</u>		
Central Government Bodies	527	1,758
Other Local Authorities	7,840	1,892
<u>Non Government</u>		
Local Tax Payers	801	987
Housing Rents	489	407
Rechargeable Works	82	83
Sundry Creditors	28,279	11,767
	38,018	16,894

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	2019 £'000	2018 £'000
- Danske Bank	LOBO (next option at 05/04/2017)*	05/04/2055	5,312	5,314
- Dexia PFB	LOBO (next option at 08/04/2017)*	06/10/2076	5,344	5,346
- Dexia PFB	LOBO (next option at 22/11/2026)*	22/11/2076	5,070	5,070
Accrued Interest			-300	-301
			<u>15,426</u>	<u>15,429</u>
PWLB:	Fixed rate loan	26/08/2034	5,023	5,023
	Fixed rate loan	04/10/2030	5,116	5,116
	Fixed rate loan	04/10/2031	5,116	5,116
	Fixed rate loan	16/05/2035	5,085	5,085
	Fixed rate loan	16/05/2033	5,083	5,083
	Fixed rate loan	10/01/2056	3,026	3,026
	Fixed rate loan	02/11/2056	6,100	6,100
	Fixed rate loan	10/12/2037	3,041	3,041
	Fixed rate loan	10/12/2042	3,040	3,040
	Fixed rate loan	07/03/2058	3,009	3,009
	Fixed rate loan	04/08/2058	5,034	5,034
	Fixed rate loan	15/02/2058	3,016	3,016
	Fixed rate loan	10/09/2053	3,008	3,008
	Fixed rate loan	10/03/2027	3,007	3,007
	Fixed rate loan	24/08/2019	3,011	3,011
	Fixed rate loan	13/10/2024	4,073	4,073
	Fixed rate loan	02/11/2049	3,053	3,053
	Fixed rate loan	01/12/2039	3,042	3,042
	Fixed rate loan	01/12/2059	4,056	4,056
	Fixed rate loan	21/01/2060	4,034	4,034
	Fixed rate loan	21/01/2053	4,034	4,034
	Fixed rate loan	01/08/2054	5,036	5,036
	Fixed rate loan	01/08/2059	5,036	5,036
	Fixed rate loan	19/01/2019	0	10,082
	Fixed rate loan	19/09/2053	10,017	10,017
	Fixed rate loan	19/01/2055	10,092	10,092
	Fixed rate loan	19/10/2057	10,210	10,210
	Fixed rate loan	19/01/2059	10,092	10,092
	Fixed rate loan	19/10/2059	8,168	8,168
	Fixed rate loan	10/09/2060	5,012	5,012
	Fixed rate loan	28/09/2034	5,002	5,002
	Fixed rate loan	22/12/2061	5,056	5,056
	Fixed rate loan	20/01/2062	5,039	5,039
	Fixed rate loan	12/03/2025	5,010	5,010
	Fixed rate loan	01/09/2060	10,030	10,030
	Fixed rate loan	02/09/2058	10,029	10,029
	Fixed rate loan	01/09/2061	10,030	10,030
	Fixed rate loan	01/03/2060	10,030	10,030
	Fixed rate loan	01/09/2059	10,030	10,030
	Fixed rate loan	03/03/2059	10,028	10,028
	Fixed rate loan	01/03/2061	10,030	10,030
	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	1,350	1,503

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

Lender	Loan type	Maturity Date	£'000	£'000
PWLb:	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	24/04/2034	1,271	1,331
	Fixed rate loan	20/11/2064	5,066	5,066
	Fixed rate loan	27/11/2064	6,074	6,074
	Fixed rate loan	01/05/2064	5,072	5,072
	Fixed rate loan	02/05/2063	3,043	3,043
	Fixed rate loan	15/12/2062	3,030	3,030
	Fixed rate loan	18/07/2062	3,019	3,019
	Fixed rate loan	20/03/2063	2,002	2,002
	Fixed rate loan	12/08/2065	2,008	2,008
	Fixed rate loan	28/09/2065	5,002	5,002
	Fixed rate loan	19/10/2064	9,639	9,639
	Fixed rate loan	18/11/2065	2,024	2,024
	Fixed rate loan	08/12/2065	2,020	2,020
	Fixed rate loan	19/01/2066	2,515	2,515
	Fixed rate loan	11/02/2065	3,012	3,012
	Fixed rate loan	17/06/2066	10,074	10,074
	Fixed rate loan	20/04/2066	10,112	10,112
	Fixed rate loan	30/06/2066	3,018	3,018
	Fixed rate loan	21/09/2066	4,003	4,003
	Fixed rate loan	10/11/2066	8,077	8,077
	Fixed rate loan	16/11/2021	25,147	25,147
	Fixed rate loan	30/11/2066	9,079	9,079
	Fixed rate loan	11/02/2067	11,812	11,930
	Fixed rate loan	28/02/2067	19,653	19,853
	Fixed rate loan	02/03/2067	9,823	9,923
	Fixed rate loan	27/03/2067	5,002	5,002
	Fixed rate loan	19/04/2067	4,978	5,031
	Fixed rate loan	09/06/2065	4,532	4,532
	Fixed rate loan	09/06/2067	4,962	5,014
	Fixed rate loan	31/08/2067	49,343	49,858
	Fixed rate loan	12/09/2067	9,859	9,963
	Fixed rate loan	31/08/2025	8,014	8,014
	Fixed rate loan	07/11/2067	20,016	20,212
	Fixed rate loan	09/11/2067	30,017	30,313
	Fixed rate loan	10/11/2067	20,006	20,205
	Fixed rate loan	23/11/2067	9,995	10,094
	Fixed rate loan	13/12/2067	9,980	10,079
	Fixed rate loan	19/12/2067	10,065	10,065
	Fixed rate loan	02/03/2068	9,927	10,022
	Fixed rate loan	19/03/2068	9,911	10,009
	Fixed rate loan	20/03/2068	9,910	10,009
	Fixed rate loan	26/03/2068	14,856	15,006
	Fixed rate loan	26/03/2068	7,923	8,003
	Fixed rate loan	29/03/2068	9,901	10,002
	Fixed rate loan	31/05/2068	10,032	0
	Fixed rate loan	27/07/2068	9,994	0
	Fixed rate loan	19/10/2068	6,072	0
	Fixed rate loan	14/11/2068	10,103	0

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

Lender	Loan type	Maturity Date	£'000	£'000
PWLB:	Fixed rate loan	19/11/2068	10,101	0
	Fixed rate loan	07/12/2068	60,520	0
	Fixed rate loan	11/12/2068	20,162	0
	Fixed rate loan	13/12/2068	40,305	0
	Fixed rate loan	31/01/2069	10,042	0
	Fixed rate loan	11/02/2069	80,271	0
	Fixed rate loan	27/02/2069	7,015	0
	Fixed rate loan	19/03/2069	20,018	0
	Fixed rate loan	20/03/2069	20,017	0
	Fixed rate loan	22/03/2069	30,020	0
	Fixed rate loan	25/03/2069	50,023	0
	Fixed rate loan	26/03/2069	20,008	0
	Fixed rate loan	28/03/2069	20,005	0
Accrued Interest (shown within short term borrowing)			-6,594	-4,882
Loan reclassified from long term to short term as due within one year			-10,066	-12,851
			<u>1,109,529</u>	<u>696,697</u>
LB of Wandsworth	Fixed rate loan	14/11/2018	0	6,364
LB of Hackney	Fixed rate loan	19/11/2021	3,518	3,518
Cornwall Council	Fixed rate loan	04/01/2022	6,019	6,019
Barclays Bank**	Fixed rate loan	31/07/2076	5,039	5,039
Barclays Bank**	Fixed rate loan	31/07/2076	5,039	5,039
Barclays Bank**	Fixed rate loan	05/04/2077	5,096	5,096
Enterprise M3 (LEP)	Interest free loan	31/12/2018	0	396
Accrued Interest (shown within short term borrowing)			-211	-224
Loan reclassified from long term to short term as due within one year			0	-6,750
			<u>24,500</u>	<u>24,497</u>
			<u>1,149,455</u>	<u>736,623</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.

	2019	2018
	£'000	£'000
Capital grants receivable	1,665	9,339
Use of grant to finance capital expenditure	-2,221	-2,119
Use of grant to finance revenue projects	-9	-50
Total movement on Capital Grants	-565	7,170
Balance brought forward at 1 April	14,578	7,408
Balance carried forward at 31 March	14,013	14,578

Of the total grants received in advance, £1,393,870 relates to contributions from developers (£14,417,417 in 2017/18).

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

15. COLLECTION FUND

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

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

16. PROVISIONS

The Council is the subject of claims resulting from charging for personal searches and has made a provision of £22,993 in respect of these potential future liabilities (£22,993 in 2017/18). A provision of £1,166,019 has been made (£3,945,200 in 2017/18) in respect of the Council's share of business rates valuation appeals over which there is uncertainty as they are determined by the Valuation Office (not by the Council).

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 2019. The review identified that the maximum cost for Woking was £567,844 (£544,435 at 31 March 2018).

The Council's Insurance Fund was previously enhanced to cover any potential shortfall when MMI ceased trading. This position was reviewed during the year, and will be kept under review during 2019/20.

18. COMMITMENTS

The Council had no external commitments at 31 March 2019 (or 31 March 2018).

19. THE COUNCIL AS TRUSTEE

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

20. EVENTS AFTER THE BALANCE SHEET DATE

Events arising after the Balance Sheet date are reflected in the accounts if they provide additional evidence of a condition that existed at the Balance Sheet date and materially affect the accounts. Events which occur after the Balance Sheet date and concern conditions which did not exist at the time are detailed in notes to the accounts. Events are considered up until 31 July 2019, the date of approval of the accounts. At 31 May 2019 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 2019 £'000	31st March 2018 £'000	31st March 2019 £'000	31st March 2018 £'000
Borrowings				
<u>Amortised Cost</u>				
Borrowing	1,194,374	774,458	165	73
Creditors	0	0	27,309	11,850
	<u>1,194,374</u>	<u>774,458</u>	<u>27,474</u>	<u>11,923</u>
Investments				
<u>Amortised Cost</u>				
Cash and Cash Equivalents	0	0	136,444	40,104
Investments	0	0	10,005	8,001
Debtors	0	0	11,153	7,928
	<u>0</u>	<u>0</u>	<u>157,602</u>	<u>56,033</u>

23. FINANCIAL INSTRUMENTS GAINS/LOSSES

<u>2018/19</u>	<u>Financial Liabilities</u>		<u>Financial Assets</u>		
	Amortised cost £'000	Fair value through I&E/OCI £'000	Amortised cost £'000	Fair value through I&E/OCI £'000	Total
Interest expense	28,834	-	-	-	28,834
Losses on derecognition	-	-	-	-	-
Impairment losses	-	-	-	-	-
Total Expense on the Provision of Services	<u>28,834</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,834</u>
Interest income	-	0	5,051	-	5,051
Gains on derecognition	-	-	-	-	-
Total Income in Surplus on the Provision of Services	<u>-</u>	<u>0</u>	<u>5,051</u>	<u>-</u>	<u>5,051</u>
Gains/(Losses) on revaluation	-	-	-	-	-
Surplus/(Deficit) arising on revaluation of financial assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net gain/(loss) for the year	<u>-28,834</u>	<u>0</u>	<u>5,051</u>	<u>-</u>	<u>-23,783</u>

23. FINANCIAL INSTRUMENTS GAINS/LOSSES (cont.)

2017/18

	Financial Liabilities		Financial Assets		Total
	Amortised cost £'000	Fair value through I&E/OCI £'000	Amortised cost £'000	Fair value through I&E/OCI £'000	
Interest expense	22,447	-	-	-	22,447
Losses on derecognition	-	-	-	-	0
Impairment losses	-	-	-	-	-
Total Expense on the Provision of Services	22,447	-	-	-	22,447
Interest income	-	0	2,316	-	2,316
Gains on derecognition	-	-	-	-	-
Total Income in Surplus on the Provision of Services	-	0	2,316	-	2,316
Gains/(Losses) on revaluation	-	-	-	-	-
Surplus/(Deficit) arising on revaluation of financial assets	-	-	-	-	-
Net gain/(loss) for the year	-22,447	0	2,316	-	-20,131

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 127/19.
- For other market debt and investments the discount rate used is the rates available for an instrument with the same terms from a comparable lender.
- Interpolation techniques between available rates where the exact maturity period was not available.
- No early repayment or impairment is recognised.
- Fair values have been calculated for all instruments in the portfolio, but only disclose those which are materially different from the carrying value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

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

	31st March 2019		31st March 2018	
	Carrying amount £'000	Fair Value £'000	Carrying amount £'000	Fair Value £'000
PWLB - maturity	449,073	584,456	446,067	571,216
PWLB - annuity	677,112	702,209	268,358	271,986
LOBOs	15,726	24,956	15,730	24,568
Market Loans	15,174	26,134	15,174	25,676
LEP Loan	0	0	400	396
Short term borrowing	15	15	15	15
Finance Lease	27,752	32,874	28,678	32,832
Creditors	27,309	27,309	11,850	11,850
Financial Liabilities	1,212,161	1,397,953	786,272	938,539

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 2019		31st March 2018	
	Carrying amount £'000	Fair Value £'000	Carrying amount £'000	Fair Value £'000
Cash and cash equivalents	136,444	136,444	40,104	40,104
Investments with other local authorities	10,005	10,005	8,001	8,001
Debtors	11,153	11,153	7,928	7,928
Financial Assets	157,602	157,602	56,033	56,033

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 2019 £'000	Historical experience of default %	Historical experience adjusted for market conditions as at 31 March 2019 %	Estimated maximum exposure to default and uncollectability £'000
Deposits with banks and other Institutions	146,449	-	-	-
Customers	14,526	6.25	6.25	908
	<u>160,975</u>			<u>908</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. £2.839m of the £3.086m 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 2019 £'000	31 March 2018 £'000
Less than 3 months	1,604	2,745
3 to 6 months	378	661
6 months to 1 year	451	281
More than 1 year	406	736
	<u>2,839</u>	<u>4,423</u>

The Council has carried out a review of all asset backed loan assets. For each loan that is technically considered to be credit impaired (totalling £8.5m), the terms that are in place and the Expected Credit Loss (ECL) required to be recognised have been considered. For each of the loans, the Authority holds collateral in the form of a property asset. In considering the ECL to be recognised, the value of the property asset has been taken into account and is considered to be sufficient to cover the loan outstanding and any accrued interest. For this reason, no ECL allowance is considered necessary at this time.

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 2019 £'000	On 31 March 2018 £'000
Public Works Loans Board	1,119,591	709,543
Market debt/LOBOs	74,500	95,850
LEP Loan	0	400
Temporary borrowing	15	14
Other	0	0
	<u>1,194,106</u>	<u>805,807</u>
Less than 1 year	53,414	66,764
Between 1 and 2 years	25,000	3,000
Between 2 and 5 years	13,500	34,500
Between 5 and 10 years	17,336	21,487
More than 10 years	<u>1,100,256</u>	<u>680,056</u>
	<u>1,209,506</u>	<u>805,807</u>

In the more than 10 years category there are no LOBOs which have a call date in the next 12 months.

Market Risk

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

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

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

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

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

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

	2019 £'000	2018 £'000
Increase in interest payable on variable rate borrowings	50	0
Increase in interest receivable on variable rate investments	16	15
Net increased income in Comprehensive Income and Expenditure Statement	66	15
Share of overall interest cost debited to the HRA	8	29
Decrease in fair value of fixed rate borrowing liabilities	238,712	159,669

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

26. PRIVATE FINANCE INITIATIVE

For 25 years Kier Partnership Homes will design, build and maintain 224 homes, in return for an agreed unitary charge, after which the assets will revert back to the Council. These homes will be leased for 125 years by the Council to Thames Valley Housing Association ('TVHA'), who will own the tenancies, provide landlord services and account for rental income directly. The Council retains nomination rights over the properties. TVHA has the opportunity to nominate its own tenants following an unsuccessful Council nomination procedure. The fair values of each class of financial assets and liabilities which are carried in the balance sheet at amortised cost are disclosed in note 24. The fair value of an instrument is determined by calculating the Net Present Value of future cash flows, which provides an estimate of the value of payments in the future in today's terms. The discount rate used in the NPV calculation is the rate applicable in the market on the date of valuation for an instrument with the same structure, terms and remaining duration. All of the 224 units were completed and handed over by 31 March 2017.

a. Assets recognised under the PFI arrangement:

	2018/19 £'000	2017/18 £'000
Cost		
As at 1 April	30,814	30,814
Additions	0	0
As at 31 March	30,814	30,814
Depreciation		
As at 1 April	934	324
Charged in year	610	610
As at 31 March	1,544	934
Net Book Value		
As at 31 March	29,270	29,880
As at 1 April	29,880	30,490

26. PRIVATE FINANCE INITIATIVE (cont.)

b. Liabilities arising from PFI and similar contracts:

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

	2018/19	2017/18
	£'000	£'000
As at 1 April	28,667	29,565
New lease liability recognised	0	0
Finance lease liability redemption payments during the year	-915	-898
As at 31 March	<u>27,752</u>	<u>28,667</u>

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

The Council was committed at 31 March 2019 to making the following payments under the PFI scheme:

	Repayments of Liability	Interest	Lifecycle replacement costs	TOTAL
	£'000	£'000	£'000	£'000
Due within one year	991	2,053	45	3,089
Due within 2-5 years	4,783	7,385	188	12,356
Due within 6-10 years	7,538	6,961	944	15,443
Due within 11-15 years	8,234	3,976	3,233	15,443
Due within 16-20 years	6,206	1,193	6,889	14,288
Due within 21-25 years	0	0	0	0
	<u>27,752</u>	<u>21,568</u>	<u>11,299</u>	<u>60,619</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

	2018/19	2017/18
	£'000	£'000
Net surplus/(deficit) on the provision of services	-31,525	-13,374
<u>Less</u>		
Depreciation, impairment and amortisation		
- General Fund	3,810	3,439
- HRA	3,812	4,014
	7,622	
Revaluation gain on Investment Property	14,224	-531
Reversal of NCA historic losses with subsequent gains	11,270	6,267
Revaluation of assets held for sale	0	0
Capital items charged/(credited) to General Fund Balance	8,226	1,900
Net increase/(decrease) in other current assets and liabilities	5,557	-3,700
Net increase/(decrease) in Provisions (Long Term Liabilities)	-2,779	2,521
Net charges for retirement benefits in accordance with IAS19	2,996	2,130
Other non-cash items	-56	-741
Net cash flow from Operating Activities	15,535	1,925

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

	£'000
Decrease/(increase) in cash and equivalents for the year	-96,340
Cash inflow/(outflow) from the increase/(decrease) in long term debt	403,698
Cash inflow/(outflow) from the increase/(decrease) in temporary debt	-15,400
Cash inflow/(outflow) from the (increase)/decrease in liquid resources	-2,004
Change in Net Debt arising from Cashflows	289,954
Change in net debt arising from non-cash items	2,090
Net debt at 31.3.18	763,599
Net debt at 31.3.19	1,055,643

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

	As at 31.3.18	Inflows	Outflows	Movement in Non-cash items	As at 31.3.19
	£'000	£'000	£'000	£'000	£'000
Temporary loans	-75,081	-88,000	103,400	7,044	-52,637
Long term loans	-736,623	-433,000	29,302	-9,134	-1,149,455
Temporary investments (net)	8,001	2,004	0	0	10,005
Cash	40,104	96,340	0	0	136,444
	-763,599	-422,656	132,702	-2,090	-1,055,643

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 £423 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 (£245.5 million in 2017/18).

The Council provided loans to its group companies, joint ventures and external organisations of £177 million in 2018/19 (£163 million in 2017/18).

6. ANALYSIS OF GOVERNMENT GRANTS

	2018/19 £'000	2017/18 £'000
Housing Improvements	1,289	1,110
Syrian Refugee Families	405	408
Homelessness Grants	335	242
Electoral Registration	0	16
Safer Woking Partnership	7	4
Community Alarms	12	9
Sports Development	3	3
Countryside	0	8
	<u>2,051</u>	<u>1,800</u>

7. INTEREST AND DIVIDENDS

Interest cash flows contained in the Net surplus/deficit on the provision of services (operating activities) are shown below. There were no dividends paid in 2018/19 or 2017/18. Dividends received are shown below.

	2018/19 £'000	2017/18 £'000
Interest paid	24,821	19,302
Interest received	18,156	12,483
Dividends received	40	115

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE ACCOUNT

	2018/19 £'000	2017/18 £'000
Income		
Gross Rental Income		
- Dwelling Rents & Service Charges	-18,126	-18,653
Charges for services and facilities	-458	-407
Contribution towards expenditure	-38	-206
TOTAL INCOME	-18,622	-19,266
Expenditure		
Repairs and Maintenance	2,087	1,763
Supervision and Management	8,049	11,721
Rents, Rates, Taxes and other Charges	15	14
Depreciation and impairments of fixed assets	3,812	4,014
Debt Management Costs (note 8)	20	20
TOTAL EXPENDITURE	13,983	17,532
NET COST OF HRA SERVICES INCLUDED IN THE WHOLE AUTHORITY COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT	-4,639	-1,734
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	-4,639	-1,734
Interest payable and similar charges (note 8)	4,843	4,707
Amortisation of premiums and discounts (note 8)	30	30
Interest and investment income (note 8)	-3	-3
Pensions interest cost and expected return on pensions assets (note 7)	229	280
SURPLUS (-) OR DEFICIT FOR THE YEAR ON HRA SERVICES	460	3,280

Explanatory notes to the Housing Revenue Account are on pages 76 - 79

STATEMENT OF MOVEMENT IN THE HOUSING REVENUE ACCOUNT BALANCE

	2018/19 £'000	2017/18 £'000
Surplus (-) or deficit for the year on the HRA income and expenditure account	460	3,280
Adjustments between the accounting basis and the funding basis required under regulations (see analysis below)	-398	-608
Net increase (-) or decrease before transfers to/from reserves	62	2,672
Transfer to or from (-) HIP reserve	-61	-2,668
Increase (-) or decrease in Housing Revenue Account Balance for the Year	1	4
Balance on Housing Revenue Account brought forward	498	502
Balance on Housing Revenue Account carried forward	497	498

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

	2018/19 £'000	2017/18 £'000
Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year		
Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	0	-218
Adjustments made for accumulated absences	22	-7
Net charges made for retirement benefits in accordance with IAS19	-420	-383
	-398	-608

The Housing Revenue Account (HRA) Income and Expenditure Account on page 74 shows the Council's activities during the financial year in line with International Financial Reporting Standards. Certain items are required by statute to either be included or excluded from the Income and Expenditure Account activity before it is charged to the Housing Revenue Account balance. These items are shown in the Statement of Movement in the Housing Revenue Account balance above.

HOUSING REVENUE ACCOUNT EXPLANATORY NOTES

1. HOUSING STOCK

The Council was responsible for the management of 3,336 dwellings (including Shared Ownership properties) at 31 March 2019, as compared with 3,314 at 31 March 2018, made up of:

	2019	2018
Houses	1,656	1,637
Flats (including maisonettes)	1,429	1,426
Bungalows	251	251
TOTAL	3,336	3,314

2. STOCK VALUES

	Value @ 31.3.18 £'000	Movement £'000	Value @ 31.3.19 £'000
<u>Operational Assets</u>			
Housing Property	295,839	-3,129	292,710
Leasehold Property	1,016	0	1,016
	<u>296,855</u>	<u>-3,129</u>	<u>293,726</u>
<u>Non Operational Assets</u>			
Development Land	6,900	0	6,900
	<u>6,900</u>	<u>0</u>	<u>6,900</u>
TOTAL	303,755	-3,129	300,626

The vacant possession value of dwellings within the authority's Housing Revenue Account (HRA) as at 1 April 2019 was £869,607,012 (£878,904,820 at 1 April 2018).

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.

£3,812,354 depreciation was charged to the HRA in 2018/19:

	2018/19 £'000	2017/18 £'000
<u>Depreciation</u>		
Dwellings	3,812	3,796
TOTAL	3,812	3,796

3. CAPITAL EXPENDITURE

The total capital expenditure on property within the authority's HRA during 2018/19 was £13.71m (2017/18, £11.25m)

	2018/19	2017/18
<u>Capital Expenditure</u>	£'000	£'000
Houses	13,714	11,251
TOTAL	13,714	11,251

	2018/19	2017/18
<u>Source of Funding</u>	£'000	£'000
Major Repairs Reserve	3,986	3,622
Grants	0	0
General Reserve	0	0
Borrowing	6,547	4,751
HIP Reserve	1,829	887
Capital Receipts	1,352	1,991
TOTAL	13,714	11,251

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

	2018/19	2017/18
	£'000	£'000
Houses	3,377	4,007
Land	0	0
TOTAL	3,377	4,007

4. MAJOR REPAIRS RESERVE

Local Authorities are required by the Accounts and Audit Regulations 2003, to establish and maintain a Major Repairs Reserve. The main credit to the reserve is an amount equal to HRA depreciation. £3.81m depreciation was charged to the HRA in 2018/19.

The movement on the Major Repairs Reserve for the financial year 2018/19 was as follows:

	2018/19	2017/18
<u>Major Repairs Reserve</u>	£'000	£'000
Balance @ 1 April	174	0
Expenditure financed from Major Repairs Reserve	-3,986	-3,622
Depreciation transferred from Capital Adjustment Account	3,812	3,796
Balance @ 31 March	0	174

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>2019</u>	<u>2018</u>
	£	£
Current Tenants	368,860	461,706
Former Tenants	254,698	206,150
TOTAL	<u>623,558</u>	<u>667,856</u>
Arrears as a % of Gross Rent Income	3.36%	3.50%

A provision of £317,889 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 2018/19 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.

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 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:

	<u>2018/19</u>	<u>2017/18</u>
	£'000	£'000
Net Cost of Services:		
▪ Service cost	572	719
▪ Past service costs (including curtailments)	104	5
	<u>676</u>	<u>724</u>
Net Operating Expenditure:		
▪ Interest cost	596	732
▪ Expected return on assets in the scheme	-367	-452
	<u>229</u>	<u>280</u>

Net liability on HRA I&E	-905	-1,004
▪ Employers' contributions payable to scheme	442	566
▪ Contribution in respect of unfunded benefits	44	55
▪ Movement on pensions reserve	-419	-383
TOTAL	486	621

Actual amounts charged against rents for pensions in the year

Employers' contributions payable to scheme	442	566
Contributions in respect of unfunded benefits	44	55
TOTAL	486	621

The employers' contribution payable to the scheme is shown within Supervision and Management. The adjustment of £190,000 represents the difference between the cash contributions payable to the scheme (£486,000) and service costs (£676,000).

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 2017/18				Actual 2018/19		
Council Tax £'000	Business Rates £'000	Total £'000		Council Tax £'000	Business Rates £'000	Total £'000
73,299	0	73,299	INCOME	77,809	0	77,809
0	44,356	44,356	Council Tax Receivable (Note 1)	0	47,938	47,938
73,299	44,356	117,655	Business Rates Receivable (net of TPP*)	77,809	47,938	125,747
			TOTAL INCOME			
			EXPENDITURE			
			<u>Apportionment of Previous Year Surplus/(deficit)</u>			
0	2,295	2,295	Central Government	0	-4,258	-4,258
116	1,836	1,952	Woking Borough Council	137	-3,407	-3,270
649	459	1,108	Surrey County Council	793	-852	-59
112	0	112	Surrey Police and Crime Commissioner	134	0	134
877	4,590	5,467		1,064	-8,517	-7,453
			<u>Precepts, Demands and Shares</u>			
0	23,512	23,512	Central Government	0	0	0
9,303	18,810	28,113	Woking Borough Council	9,716	13,978	23,694
53,956	4,702	58,658	Surrey County Council	57,905	32,616	90,521
9,100	0	9,100	Surrey Police and Crime Commissioner	9,706	0	9,706
72,359	47,024	119,383		77,327	46,594	123,921
			<u>Charges to Collection Fund</u>			
283	38	321	Write Offs / Write Backs (-) of uncollectable amounts	176	169	345
-128	-326	-454	Increase / Decrease (-) in Bad Debt Provision	68	225	293
0	6,304	6,304	Increase / Decrease (-) in Provision for Appeals	0	-5,976	-5,976
0	135	135	Cost of Collection	0	135	135
0	0	0	Interest	0	0	0
155	6,151	6,306		244	-5,447	-5,203
			TOTAL EXPENDITURE	78,635	32,630	111,265
-92	-13,409	-13,501	SURPLUS / DEFICIT (-) ARISING DURING THE YEAR	-826	15,308	14,482
1,941	4,866	6,807	SURPLUS / DEFICIT (-) B/FWD AT 1ST APRIL	1,849	-8,543	-6,694
1,849	-8,543	-6,694	SURPLUS / DEFICIT (-) C/FWD AT 31ST MARCH	1,023	6,765	7,788

*TPP = Transitional protection payment from government (£127,090 in 2018/19, £552,551 in 2017/18)

Explanatory notes to the Collection Fund are on pages 81 - 82

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 2018/19 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	265.50	6	177.00	332.99
Band B	2,822.75	7	2,195.47	4,130.38
Band C	9,396.50	8	8,352.44	15,713.61
Band D	11,167.75	9	11,167.75	21,010.11
Band E	5,669.00	11	6,928.78	13,035.25
Band F	3,898.00	13	5,630.44	10,592.66
Band G	4,803.25	15	8,005.42	15,060.76
Band H	707.50	18	1,415.00	2,662.07
Less allowance for losses on collection, appeals and Council Tax Support			43,872.30	82,537.83
Council Tax Base and Expected yield			-2,842.30	-5,347.28
			41,030.00	77,190.55

The actual yield for the year was £77.633m; the difference of £442,000 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 £77.633m is reflected in the Income and Expenditure Account as follows:

	2018/19 £'000	2017/18 £'000
Council tax income	77,809	73,299
Less write offs	-176	-283
Yield	77,633	73,016

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 2018/19 the Band D equivalent was 43,872.31. 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 41,030.00 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 17 January 2018 was £114.6 million and the multipliers for the year were:

Non-domestic rating multiplier	0.493	pence
Small business non-domestic rating multiplier	0.480	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 2018/19 Woking was part of a Surrey-wide pilot scheme where business rates collected were split between districts (30%) and Surrey County Council (70%) with the tariff payment being paid to the pilot lead authority, Surrey County Council, (to offset against the business rates collected). In 2018-19 Woking Borough Council paid a tariff of £11,330,431 to the pilot lead (£15,290,109 was paid to the government in 2017/18). 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.

No safety net or levy payment of will be made in the business rates pilot scheme in operation in 2018/19 (a safety net payment of £1,036,956 was due in respect of 2017/18). The safety net income for 2017/18 is contained within the non domestic rates income and expenditure line in the comprehensive income and expenditure statement. This line also contains £3,406,846 which is the Council's share of prior year deficit's (£1,836,312 was included here in 2017-18 in respect of prior year surpluses, the remainder of which will be settled to the account in future years).

4. DISTRIBUTION OF THE COLLECTION FUND BALANCE

The Collection Fund Balance at 31 March 2019 was £7,788,026 (£6,694,241 at 31 March 2018). 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. For the Business Rates pilot scheme, the Business Rates Surplus or Deficit is split between Woking Borough Council (30%) and Surrey County Council (70%). The Business Rates Surplus or Deficit in respect of previous years (including 2017/18) was split based on nationally determined percentages between Central Government (50%), Woking Borough Council (40%) and Surrey County Council (10%).

	2017/18 Surplus/ Deficit (-) £	2018/19 Surplus/ Deficit (-) £	Total @ 31 March 2019 £
<u>Council Tax</u>			
Woking Borough Council	98,683	29,508	128,191
Surrey County Council	588,155	176,608	764,763
Surrey Police and Crime Commissioner	98,591	31,661	130,252
	<u>785,429</u>	<u>237,777</u>	<u>1,023,206</u>
<u>Business Rates</u>			
Central Government			-13,044
Woking Borough Council			2,026,837
Surrey County Council			<u>4,751,027</u>
			<u>6,764,820</u>
Collection Fund Balance			<u><u>7,788,026</u></u>

PENSIONS EXPLANATORY NOTES

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

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

Changes to IAS19

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

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

Further information on Pensions is set out in the Statement of Accounting Policies note 12, on page 25 of these accounts.

Changes in the Fair Value of Plan Assets, Defined Benefit Obligation and Net Liability for year end 31 March 2019

Period ended 31 March 2019	Assets	Obliga- tions	Net (liability) / asset
	£'000	£'000	£'000
Fair Value of employer assets	101,545	0	101,545
Present value of funded liabilities	0	158,509	-158,509
Present value of unfunded liabilities	0	5,229	-5,229
Opening position as at 31 March 2018	101,545	163,738	-62,193

Service Cost

Current service cost*	0	4,089	-4,089
Past service cost (including curtailments)	0	742	-742
Total Service Cost	0	4,831	-4,831

Net interest

Interest income on plan assets	2,624	0	2,624
Interest cost on defined benefit obligation	0	4,258	-4,258
Total net interest	2,624	4,258	-1,634
Total defined benefit cost recognised in Profit or (Loss)	2,624	9,089	-6,465

Cashflows

Plan participants' contributions	719	719	0
Employer contributions	3,156	0	3,156
Contributions in respect of unfunded benefits	313	0	313
Benefits paid	-4,949	-4,949	0
Unfunded benefits paid	-313	-313	0
Expected closing position	103,095	168,284	-65,189

Remeasurements

Changes in demographic assumptions	0	0	0
Changes in financial assumptions	0	8,811	-8,811
Other experience	0	134	-134
Return on assets excluding amounts included in net interest	3,387	0	3,387
Total remeasurements recognised in Other Comprehensive Income	3,387	8,945	-5,558

Fair value of plan assets	106,482	0	106,482
Present value of funded liabilities	0	171,978	-171,978
Present value of unfunded liabilities**	0	5,251	-5,251
Closing position as at 31 March 2019	106,482	177,229	-70,747

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

**This liability comprises of approximately £5,251,000 in respect of LGPS unfunded pensions. For unfunded liabilities as at 31 March 2019, 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 2019:

	Liability split (£'000)	Liability split (%)	Weighted Average Duration
Active members	61,234	35.7%	22.4
Deferred members	36,288	21.2%	22.2
Pensioner members	73,844	43.1%	11.6
Total	171,366	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 2018

Period ended 31 March 2018

	Assets	Obliga- tions	Net (liability) / asset
	£'000	£'000	£'000
Fair Value of employer assets	101,040	0	101,040
Present value of funded liabilities	0	157,633	-157,633
Present value of unfunded liabilities	0	5,428	-5,428
Opening position as at 31 March 2017	101,040	163,061	-62,021

Service Cost

Current service cost*	0	3,997	-3,997
Past service cost (including curtailments)	0	27	-27
Total Service Cost	0	4,024	-4,024

Net interest

Interest income on plan assets	2,509	0	2,509
Interest cost on defined benefit obligation	0	4,066	-4,066
Total net interest	2,509	4,066	-1,557
Total defined benefit cost recognised in Profit or (Loss)	2,509	8,090	-5,581

Cashflows

Plan participants' contributions	678	678	0
Employer contributions	3,144	0	3,144
Contributions in respect of unfunded benefits	307	0	307
Benefits paid	-5,043	-5,043	0
Unfunded benefits paid	-307	-307	0
Expected closing position	102,328	166,479	-64,151

Remeasurements

Changes in financial assumptions	0	-2,742	2,742
Other experience	0	1	-1
Return on assets excluding amounts included in net interest	-783	0	-783
Total remeasurements recognised in Other Comprehensive Income	-783	-2,741	1,958

Fair value of plan assets	101,545	0	101,545
Present value of funded liabilities	0	158,509	-158,509
Present value of unfunded liabilities	0	5,229	-5,229
Closing position as at 31 March 2018	101,545	163,738	-62,193

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

Assets

Asset category	Period Ended 31 March 2019				Period Ended 31 March 2018			
	Quoted prices in active markets	Quoted prices not in active markets	Total	Percentage of Total Assets	Quoted prices in active markets	Quoted prices not in active markets	Total	Percentage of Total Assets
	£'000	£'000	£'000	%	£'000	£'000	£'000	%
Equity Securities:								
Consumer	2,883.4	-	2,883.4	3%	8,238.2	-	8,238.2	8%
Manufacturing	1,850.2	-	1,850.2	2%	7,467.9	-	7,467.9	7%
Energy and Utilities	1,640.9	-	1,640.9	2%	4,093.9	-	4,093.9	4%
Financial Institutions	1,651.8	-	1,651.8	2%	7,183.6	-	7,183.6	7%
Health and Care	1,410.8	-	1,410.8	1%	2,713.4	-	2,713.4	3%
Information Technology	3,152.7	-	3,152.7	3%	5,719.3	-	5,719.3	6%
Other	281.1	-	281.1	0%	206.8	-	206.8	0%
Debt Securities:								
Corporate Bonds (investment grade)	-	-	0.0	0%	3,525.1	-	3,525.1	3%
Corporate Bonds (non-investment grade)	-	-	0.0	0%	222.6	-	222.6	0%
UK Government	-	-	0.0	0%	206.9	-	206.9	0%
Other	-	-	0.0	0%	465.5	-	465.5	0%
Private Equity:								
All	-	6,311.7	6,311.7	6%	-	4,262.0	4,262.0	4%
Real Estate:								
UK Property	1,923.0	3,127.5	5,050.5	5%	1,618.3	4,155.5	5,773.8	6%
Overseas Property	-	1,847.5	1,847.5	2%	-	37.5	37.5	0%
Invest Funds and Unit Trusts:								
Equities	51,041.9	7,325.3	58,367.2	55%	28,158.6	-	28,158.6	28%
Bonds	12,763.3	5,023.5	17,786.8	17%	11,099.7	-	11,099.7	11%
Hedge Funds	-	-	0.0	0%	-	-	0.0	0%
Commodities	-	-	0.0	0%	-	-	0.0	0%
Infrastructure	-	-	0.0	0%	-	-	0.0	0%
Other	-	-	0.0	0%	-	-	0.0	0%
Derivatives:								
Inflation	-	-	0.0	0%	-	-	0.0	0%
Interest Rate	-	-	0.0	0%	-3.0	-	-3.0	0%
Foreign Exchange	621.4	-	621.4	1%	143.9	-	143.9	0%
Other	-	-	0.0	0%	-	-	0.0	0%
Cash and Cash Equivalents:								
All	3,626.0	-	3,626.0	3%	12,029.3	-	12,029.3	12%
Totals	82,846.5	23,635.5	106,482	100%	93,090	8,455	101,545	100%

Investment returns

The return on the Fund in market value terms for the period to 31 March 2019 is based on actual Fund returns as provided by Surrey County Council. Details are given below:

Actual Returns from 1 April 2018 to 31 March 2019	6.0%
Total Returns from 1 April 2018 to 31 March 2019 (1.7% in 2017/18)	6.0%

The liabilities show the underlying commitments that the authority has in the long-run to pay retirement benefits. The total liability of £70,747 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 2019 % p.a.	31 March 2018 % p.a.
Pension Increase Rate	2.50%	2.40%
Salary Increase Rate	2.80%	2.70%
Discount Rate	2.40%	2.60%

Mortality

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

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

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

Historic mortality

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

Period Ended	Prospective Pensioners	Pensioners
31 March 2018	CMI 2013 model assuming the current rate of improvements has peaked and will converge to a long term rate of 1.25% p.a.	CMI 2013 model assuming the current rate of improvements has peaked and will converge to a long term rate of 1.25% p.a.

Sensitivity Analysis

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

Change in assumptions at year ended 31 March 2019	Approximate % increase to Defined Benefit Obligation	Approximate monetary amount
	%	£'000
0.5% decrease in Real Discount Rate	9%	15,943
0.5% increase in the Salary Increase Rate	1%	1,579
0.5% increase in the Pension Increase Rate	8%	14,123

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

Asset and liability matching strategy

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

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

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

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2018/19 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2019.

At 31 March	Difference between the expected and actual return on assets	Experience gains and losses on liabilities
	%	%
2019	8.11	0.08
2018	4.17	0.00
2017	17.68	-0.70
2016	4.24	-1.72
2015	15.88	-0.84
2014	5.08	-0.57
2013	18.66	-0.09
2012	8.54	1.70

The actuary estimates contributions for the year to 31 March 2020 will be approximately £3,161,000.

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, Thamesway Limited, Woking Necropolis and Mausoleum Limited and Dukes Court, 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 Thamesway 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 Thamesway's 2015 financial year.

4. FINANCIAL INSTRUMENTS

As detailed in the Woking Borough Council accounting policy 15, with effect from 1 April 2018 the Council's accounts have been prepared in accordance with the new accounting standards IFRS9 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 93 to 94.

The principal place of business for all the group company activity is Woking, UK with the exception of Thamesway 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 £2,180,000.

GROUP COMPANY AND JOINT VENTURE INFORMATION

Company Name	Company Number	Shareholding	Directors @ 31 Dec 2018	Net Assets / Liabilities (-) @ 31 Dec 2018	Profit / Loss (-) 2018	In Year Activity 2018	Purpose
Thamesway Group Thamesway Limited (TL)	03702545	The Council is the sole shareholder	R N Morgan D J Spinks B M Maunders R J Kingsbury resigned 8/5/2018 S Barham resigned 31/8/2018 B Hunwicks W Prescott T Price D J Bittleston P N Bryant C S Kemp A Azad	£32,339,456	-£4,452	-	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 resigned 8/5/2018 B M Maunders P N Bryant A Azad	£470,197	-£412,816	-	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 resigned 8/5/2018 B M Maunders P N Bryant A Azad	-£1,314,576	-£1,716,248	-	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 (THL)	05437166	Wholly owned subsidiary of Thamesway Limited	S Barham resigned 17/9/2018 R J Kingsbury resigned 7/5/2018 T Price D J Bittleston P N Bryant C S Kemp B M Maunders A Azad	£37,444,957	-£2,935,573	-	Formerly Woking Borough Homes Limited, established to provide affordable housing.
Thamesway Guest House Limited (TGH)	08641958	Owned by Thamesway Housing Limited	S Barham resigned 31/8/2018 D Bittleston R J Kingsbury resigned 7/5/2018 T Price P N Bryant C S Kemp B M Maunders A Azad	£576,252	£68,232	-	The management and operation of guest houses in the borough of Woking.
Thamesway Sustainable Communities Limited (TSCL)	03835131	Wholly owned subsidiary of Thamesway Limited	D J Spinks B M Maunders R J Kingsbury resigned 7/5/2018 B Hunwicks P N Bryant A Azad	£304,850	-£4,397	-	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 (TDL)	06646380	Wholly owned subsidiary of Thamesway Limited	R J Kingsbury resigned 7/5/2018 T Price S Barham resigned 31/8/2018 P N Bryant D Bittleston A Azad	£1,836,729	£431,003	-	The company is established to engage in property development.
Thamesway Solar Limited (TSL)	07679222	Wholly owned subsidiary of Thamesway Limited	R J Kingsbury resigned 8/5/2018 B M Maunders D J Spinks P N Bryant A Azad	£1,179,463	-£1,016	-	Established to own, operate and install solar photovoltaic panels.

GROUP COMPANY AND JOINT VENTURE INFORMATION

Company Name	Company Number	Shareholding	Directors @ 31 Dec 2018	Net Assets / Liabilities (-) @ 31 Dec 2018	Profit / Loss (-) 2018	In Year Activity 2018	Purpose
Thamesway Maintenance Services Limited (TMSL)	05637552	Wholly owned subsidiary of Thamesway Limited	R N Morgan R J Kingsbury resigned 7/5/2018 B M Maunders P N Bryant A Azad	£885,603	£77,216	-	The company is established for the installation, commissioning, servicing, maintaining and operating total energy systems.
Energy Centre for Sustainable Communities Limited (ECSCCL)	08188153	Wholly owned subsidiary of Thamesway Limited	P N Bryant D J Spinks B M Maunders	£1	NIL	-	Established to engage in trading operations to promote energy efficiency activities, notably in the renewable field.
Rutland Woking Limited (RW(L))	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 resigned 22/10/18 D J Bittleson appointed 23/10/2018	£238,796	-£8,278	-	The company is established to engage in property development.
Rutland Woking (Carthouse Lane) Limited (RW(CL))	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 resigned 22/10/18 D J Bittleson	£316,915	-£4,730	-	The company is established to engage in property development.
Rutland Woking (Residential) Limited (RW(R/L))	08809470	Owned by Thamesway Developments Ltd (50%) and Rutland Properties Ltd (50%)	J A C McAllister R N Morgan M L Riggs R J Kingsbury resigned 22/10/18	-£875	-£5,211	-	The company is established to engage in property development.
Other Subsidiaries							
Woking Necropolis And Mausoleum Limited	06337764	Wholly owned subsidiary of Woking Borough Council	P N Bryant B M Maunders D J Spinks R J Kingsbury resigned 8/5/2018	£4,354,524	£82,505	-	The holding and financing of Brookwood Park Limited in accordance with the ultimate shareholders (Woking Borough Council's) requirements.
Brookwood Park Limited	00034195	99.98% Owned by Woking Necropolis and Mausoleum Limited	P N Bryant B M Maunders D J Spinks R J Kingsbury resigned 8/5/2018	£2,330,372	£373,882	-	The management and operation of Brookwood Cemetery.
Brookwood Cemetery Limited	306068	Owned by Brookwood Park Ltd	P N Bryant B M Maunders D J Spinks R J Kingsbury resigned 8/5/2018	£628,062	£0	-	The holding of land for cemetery use.
Dukes Court Owner - T S.a.r.l	B192068	Wholly owned subsidiary of Woking Borough Council	L Clarke P N Bryant G Stevens	£13,754,000	-£1,139,000	£15,000 shareholding, 2,400 shares of £6.25, acquired by the Council 16 November 2017	Holding and management of Dukes Court, Woking.
Associate Companies							
Victoria Square Woking Ltd (formerly Bandstand Square Developments Ltd - change effective 12/4/2017)	8005542	Moyallen Holdings Ltd 52%, Woking Borough Council 48% VSWL owns 100% of VSW Hotel Ltd and Victoria Square Woking Residential Ltd (both not yet active)	R J Kingsbury P A H Robinson J T A Robinson R N Morgan D J Bittleson appointed 21/11/2018 J A Fisher appointed 22/11/2018	-£10,982,218 (2017 figures)	£-11,012,218 (2017 figures)	-	Undertake redevelopment project on land to the west side of the existing Peacocks Centre and Wolsey Place Shopping Centre, and associated enabling projects.

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

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

GROUP MOVEMENT IN RESERVES STATEMENT

	General Fund (GF) Balance £000s	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 2017 carried forward	24,345	10,669	48,366	0	885	3,378	87,643	166,926	254,569
MOVEMENT IN RESERVES DURING 2017/18									
Surplus or (Deficit) on Provision of Services (accounting basis)	-10,094	-3,280	0	0	0	-7,694 *	-21,068	0	-21,068
Other Comprehensive Income and Expenditure	0	0	0	0	0	522	522	4,711	5,233
Total Comprehensive Income and Expenditure	-10,094	-3,280	0	0	0	-7,172	-20,546	4,711	-15,835
Adjustments between group and authority accounts	0	0	0	0	0	147	147	0	147
Adjustments between accounting basis & funding basis under regulations	16,410	-279	433	174	950	0	17,688	-14,556	3,132
Increase/Decrease before Transfers to Earmarked Reserves	6,316	-3,559	433	174	950	-7,025	-2,711	-9,845	-12,556
Transfers to/from Earmarked Reserves	-285	285	0	0	0	0	0	0	0
Increase/Decrease in Year	6,031	-3,274	433	174	950	-7,025	-2,711	-9,845	-12,556
Balance at 31 March 2018 carried forward	30,376	7,395	48,799	174	1,835	-3,647	84,932	157,081	242,013

	General Fund (GF) Balance £000s	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 2018 carried forward	30,376	7,395	48,799	174	1,835	-3,647	84,932	157,081	242,013
MOVEMENT IN RESERVES DURING 2018/19									
Surplus or (Deficit) on Provision of Services (accounting basis)	-31,065	-460	0	0	0	-5,767	-37,292	-1	-37,293
Other Comprehensive Income and Expenditure	0	0	0	0	0	327	327	-2,290	-1,963
Total Comprehensive Income and Expenditure	-31,065	-460	0	0	0	-5,440	-36,965	-2,291	-39,256
Adjustments between group and authority accounts	0	0	0	0	0	0	0	1,511	1,511
Adjustments between accounting basis & funding basis under regulations	28,371	-1,432	4,484	-174	611	0	31,860	-31,853	7
Increase/Decrease before Transfers to Earmarked Reserves	-2,694	-1,892	4,484	-174	611	-5,440	-5,105	-32,633	-37,738
Transfers to/from Earmarked Reserves	-120	120	0	0	0	0	0	0	0
Increase/Decrease in Year	-2,814	-1,772	4,484	-174	611	-5,440	-5,105	-32,633	-37,738
Balance at 31 March 2019 carried forward	27,562	5,623	53,283	0	2,446	-9,087	79,827	124,448	204,275

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Actual 2017/18				Actual 2018/19		
Expenditure £'000	Income £'000	Net Cost £'000		Expenditure £'000	Income £'000	Net Cost £'000
8,530	3,153	5,377	People	20,971	3,545	17,426
27,200	14,259	12,941	Place	29,914	22,752	7,162
37,382	31,318	6,064	Us	37,399	29,994	7,405
17,703	19,458	-1,755	Council Housing	14,156	18,816	-4,660
26,951	24,093	2,858	Investment Programme Projects	14,018	5,577	8,441
117,766	92,281	25,485	NET COST OF SERVICES	116,458	80,684	35,774
		3,466	- Contribution to Housing Pooled Capital Receipts			607
		-25	- (Gain)/Loss on the disposal of non current assets			90
		3,441	Other Operating Expenditure			697
		22,776	- Interest payable and similar charges			28,414
		4,066	- Pensions interest on obligation			4,258
		-2,509	- Expected return on pension assets			-2,624
		0	- Share of operating (profit)/loss in joint ventures/associates			7
		-2,415	- Investment interest income			-5,137
		-22,021	- Rentals received on investment properties			-24,982
		7,003	- Expenses incurred on investment properties			8,013
		-531	- Changes in fair value of investment properties			14,224
		6,369	Financing & Investment Income & Expenditure			22,173
		-1,776	- Non-domestic rates income and expenditure			-7,022
		-4,932	- Non-ring fenced government grants			-4,482
		-9,401	- Council Tax Income			-9,745
		-16,109	Taxation and Non-Specific Grant Income			-21,249
		19,186	(Surplus) or Deficit on Provision of Services			37,395
		-2,753	(Surplus) or deficit on revaluation of non current assets			-3,191
		-1,958	Actuarial (gains)/losses on pension assets/liabilities			5,558
		-522	Tax on (gain)/loss on ordinary activities			-327
		-5,233	Other Comprehensive Income and Expenditure			2,040
		13,953	Total Comprehensive Income and Expenditure			39,435

GROUP BALANCE SHEET

	31st MARCH 2019		31st MARCH 2018
	£'000	£'000	£'000
Property, Plant and Equipment (note 2)			
Council Dwellings	293,725		296,855
Other Land and Buildings	156,968		155,864
Vehicles, Plant, Furniture and Equipment	36,814		36,099
Community Assets	15,100		15,099
Assets Under Construction	139,544		81,024
		642,151	
Heritage Assets	918		918
Investment Properties	506,312		392,003
Intangible Assets:			
Software Licenses, Goodwill	339		335
		507,569	
Long-Term Investments			
Long-Term Investments		393	400
Long-Term Debtors		216,310	122,650
TOTAL LONG TERM ASSETS		1,366,423	1,101,247
Short term investments	10,005		8,001
Inventories	16,748		16,362
Short Term Debtors (note 3)	21,662		25,387
Cash and Cash Equivalents	151,675		48,773
CURRENT ASSETS		200,090	98,523
Short-Term Borrowing	-52,637		-75,081
Short Term Creditors (note 4)	-55,852		-27,276
Provision for accrued absences	-132		-225
CURRENT LIABILITIES		-108,621	-102,582
Long Term Creditors	-221		-2,083
Provisions	-6,093		-8,949
Long-Term Borrowing	-1,134,955		-738,722
Liabilities from PFI and Similar Contracts	-27,752		-28,667
Liability related to defined benefit pension scheme	-70,747		-62,193
Capital Grants Receipts in Advance	-13,849		-14,565
LONG TERM LIABILITIES		-1,253,617	-855,179
TOTAL ASSETS LESS LIABILITIES		204,275	242,009

	31st MARCH 2019		31st MARCH 2018
	£'000	£'000	£'000
General Fund		1,500	1,000
Earmarked Reserves - General Fund		26,062	29,376
Earmarked Reserves - HRA		5,126	6,896
Housing Revenue Account		497	498
Major Repairs Reserve		0	174
Capital Receipts Reserve		53,283	48,799
Capital Grants Unapplied		2,446	1,835
Profit and Loss Reserve		-9,087	-3,647
Usable Reserves		79,827	84,931
Revaluation Reserve		118,241	116,278
Pensions Reserve		-70,747	-62,193
Capital Adjustment Account		75,911	107,391
Deferred Capital Receipts		2	5
Financial Instruments Adjustment Account		-982	-997
Employee Benefits Reserve		-132	-225
Collection Fund Adjustment Account		2,155	-3,182
GROUP BALANCES AND RESERVES		124,448	157,077
Minority Interest		0	1
TOTAL BALANCES AND RESERVES		204,275	242,009

GROUP CASH FLOW STATEMENT

	2018/19		2017/18
	£'000	£'000	£'000
<u>Revenue Activities</u>			
Net surplus/deficit on the provision of services	-34,317		-11,682
Adjust net surplus/deficit for non-cash movements	3,928		-1,386
Adjust for items that are investing and financing activities	0		0
Net cash flows from operating activities		-30,389	-13,068
<u>Investing Activities</u>			
<u>Cash Outflows</u>			
Purchase of fixed assets and revenue expenditure funded from capital under statute	-169,288		-101,217
Loans to subsidiaries and joint ventures	-33,594		-60,543
Shareholdings in Companies	-2,286		-12,001
Movement in other long term debtors	0		-3,058
		-205,168	-176,819
<u>Cash Inflows</u>			
Sale of assets	4,631		19,530
Capital grants received	8,082		29,408
Movement in other long term debtors	0		615
Other capital cash receipts	3,069		1,843
		15,782	51,396
Net cash flows from investing activities		-189,386	-125,423
Net cash flow before financing		-219,775	-138,491
<u>Management of Liquid Resources</u>			
Net movement in short term deposits	-2,004		-4,001
		-2,004	-4,001
<u>Financing</u>			
<u>Cash Outflows</u>			
Repayments of long term borrowing	-29,387		-68,340
Repayments of short term borrowing	-103,400		-105,000
Payment of PFI lease liability	-926		
		-133,713	-173,340
<u>Cash Inflows</u>			
New long term loans raised	370,394		237,352
New short term loans raised	88,000		101,000
		458,394	338,352
Net cash flows from financing activities		324,681	165,012
		322,677	161,011
Net increase/decrease in cash and cash equivalents		102,902	22,520
Cash and cash equivalents at 1 April		48,773	26,253
Cash and cash equivalents at 31 March		151,675	48,773

GROUP INCOME AND EXPENDITURE ACCOUNT EXPLANATORY NOTES

1. GENERAL

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

2. SUBSIDIARY COMPANIES

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

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

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

GROUP BALANCE SHEET EXPLANATORY NOTES

1. GENERAL

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

2. FIXED ASSETS

	Council Dwellings	Other Land and Buildings	Vehicles and Plant	Community Assets	Investment Properties	Assets Under Construction	Intangible Assets	Heritage Assets	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Net Book Value @ 1.4.18	296,855	155,864	36,099	15,099	392,003	81,024	335	918	978,197
Additions (b)	10,781	1,944	4,147	1	204,532	59,869	82	0	281,356
Acc Depreciation & Impairment WO to GCA *	-3,812	-2,563	-2,889	0	-25	0	-88	0	-9,377
Revaluation increases/(decreases) recognised in the Revaluation Reserve (c) & (d)	-6,721	26,556	0	0	0	0	0	0	19,835
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services (c) & (d)	0	-27,914	0	0	-14,225	0	0	0	-42,139
Derecognition - Disposals	-3,378	-80	-276	0	-73,629	0	0	0	-77,363
Other Movement In Costs Or Valuation	0	3,161	-266	0	-2,344	-1,349	10	0	-788
Net Book Value @ 31.3.19	293,725	156,968	36,815	15,100	506,312	139,544	339	918	1,149,721

3. DEBTORS

	31 March 2019 £'000	31 March 2018 £'000
Central Government Bodies	1,233	4,834
Local Tax Payers	1,014	1,018
Housing Rents, Rates & Water Charges	1,126	1,086
Rechargeable Works	135	126
Sundry Debtors	11,345	7,673
Prepayments	2,137	8,098
Accrued Interest on Long Term Debtors	2,492	2,632
LT Debtors repayments due within 1 year	4,820	2,894
Bad Debt Provision	-2,640	-2,974
	<u>21,662</u>	<u>25,387</u>

4. CREDITORS

	31 March 2019 £'000	31 March 2018 £'000
Central Government Bodies	527	1,758
Other Local Authorities	7,840	1,892
Local Tax Payers	801	987
Housing Rents	489	407
Rechargeable Works	82	83
Sundry Creditors	46,113	22,149
	<u>55,852</u>	<u>27,276</u>

GLOSSARY

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

HOUSING INVESTMENT PROGRAMME (HIP)	Capital and Revenue projects and one-off expenditure relating to housing
HOUSING REVENUE ACCOUNT (HRA)	This shows the income and expenditure associated with Council Housing
INVESTMENT PROGRAMME	Capital and Revenue projects and one-off expenditure
MOVEMENT IN RESERVES STATEMENT (MIRS)	This shows a summary of changes that have taken place in the bottom half of the balance sheet over the financial year
REVENUE SUPPORT GRANT	The general grant paid by Central Government to Local Government
REVENUE EXPENDITURE	This is expenditure mainly on recurring items and consists principally of salaries and wages, materials and supplies and services
REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE	This is expenditure (previously known as deferred charges) which may properly be capitalised but which is not in respect the Council's own assets
PRECEPT	The amount that Surrey County Council and Surrey Police and Crime Commissioner require Woking Borough Council to collect from local taxpayers on their behalf
WORKING BALANCE	The sum retained within the accounts to meet day-to-day workings of the accounts (e.g. expenditure incurred in anticipation of income) and to meet possible requirements during the year that were not identified at budget preparation time

ANNUAL GOVERNANCE STATEMENT 2018/19

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 2019 and up to the date of approval of the annual report and statement of accounts.

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

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

3. The Governance Framework

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

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

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

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

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

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

Complaints submitted under the Members Code of Conduct are reported to the Standards and Audit Committee which also receives regular reports on complaints which have been referred to the Ombudsman. The Arrangements for dealing with complaints made by Members against other Members were reviewed during the year and a new protocol was agreed by Council in April 2019.

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

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

Principle B – Ensuring openness and comprehensive stakeholder engagement

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

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

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

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

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

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

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

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

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

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

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

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

The Council's Vision, Values and the 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 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.

The Economic Development Strategy was approved by Council in April 2017 and covers the period to 2022 while considering the vision to 2050. The Strategy's objectives are to encourage business development growth and inward investment in the Borough. Additionally, the Strategy supports the creation of jobs, stimulating the economy, as well as generating income for the Council (to support service provision).

New Capital and Investment Strategies were approved by Council in February 2019. Presented with the Treasury Management Strategy these provide further details on the overall approach to the capital programme including explaining the purpose of the Council investment.

Following the appointment of the new Director of Housing early in 2019/20, the Council's Housing Strategies will be reviewed and updated to reflect the direction and priorities for the future.

Collectively these key documents form the Council's Corporate Strategy and show how the Vision and Values translate into Council action through the detailed plans, budgets and Investment Programme. It is recognised that the links between these policies could be

communicated more clearly and the presentation on the Council website will be reviewed during 2019/20.

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

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

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 2019 and clearly sets out the financial challenges facing the Authority. This enables the identification of resource requirements to continue the Authority's activities and secure a sustainable future. The MTFS is linked to the annual budget and service strategies.

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

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

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

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

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

Following the recommendation of the 2015 Peer Review, a programme of management development has been introduced to support future leaders and succession planning. Two groups of senior managers have completed a bespoke development programme during 2018/19 and the programme has been extended to staff at the next level.

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 assessed for reaccreditation in 2018 and was again awarded the Charter.

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. A programme of Mandatory Member training was introduced in May 2018.

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. 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.

Since the Local Government Association Corporate Peer Review in 2015 the Council has been working to address the recommendations. This will continue during 2019/20 ahead of a new review to assess progress.

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

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

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

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

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

4. Roles and Responsibilities

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

The 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.

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

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

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

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

5. Significant Governance Issues

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

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

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

- (i) Peer Review
Continue with the areas of improvement identified by the Peer Review, including further embedding the new management structure.
- (ii) Council Constitution
The Council's Constitution will be formally reviewed during 2019/20.
- (iii) Corporate Plan
The presentation of the Council's key Strategies, collectively the Corporate Plan, will be reviewed to ensure that the links between the vision and values, and detailed plans and Investment Programme are communicated clearly.
- (iv) Action tracking
Introduce new processes for the management of Internal Audit recommendations and Committee decisions to improve the efficiency and effectiveness of the system.
- (v) CIPFA Financial Management Code
The Chartered Institute of Public Finance Accountants (CIPFA) have consulted on a draft Financial Management Code. When finalised the Council will ensure that governance arrangements comply with the new Code.

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

Opinion on the financial statements

We have audited the financial statements of Woking Borough Council ("the Council") and its subsidiaries ("the group") for the year ended 31 March 2019 which comprise the Council Movement in Reserves Statement, the Council Comprehensive Income and Expenditure Statement, the Council Balance Sheet, the Council Cash Flow Statement, a summary of significant accounting policies for the Council on pages 20 to 29 and the notes to the Council financial statements on page 35 to 73; the Housing Revenue Account Income and Expenditure Account, the Statement of Movement in the Housing Revenue Account Balance and the Housing Revenue explanatory notes on pages 76 to 79; the Collection Fund Income and Expenditure Statement and the Collection Fund explanatory notes on pages 81 and 82; the group Movement in Reserves Statements, the group Comprehensive Income and Expenditure Statement, the group Balance Sheets, the Group Cash Flow Statement, a summary of significant accounting policies for the Group on page 92, and the notes to the group financial statements on and pages 100 and 101; and Pensions explanatory notes on pages 83 to 89.

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 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Council as at 31 March 2019 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the group as at 31 March 2019 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion on the financial statements

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), the Code of Audit Practice issued by the National Audit Office in April 2015 ("Code of Audit Practice") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Council and the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance Officer's has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Chief Finance Officer is responsible for the other information. The other information comprises the Narrative report together with all other information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements, the other information published together with the financial statements in the Statement of Accounts is consistent with the financial statements.

Conclusion on use of resources

On the basis of our work, having regard to the guidance on the specified criterion published by the National Audit Office in November 2017, we are satisfied that, in all significant respects, the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Basis for conclusion on use of resources

We have undertaken our review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion, published by the National Audit Office in November 2017, as to whether in all significant respects, the 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.

Based on our risk assessment, we undertook such work as we considered necessary. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Matters on which we are required to report by exception

We have nothing to report in respect of the following other matters which the Code of Audit Practice requires us to report to you if:

- we have been unable to satisfy ourselves that the Annual Governance Statement is misleading or inconsistent with other information that is forthcoming from the audit;
- we issue a report in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit;
- we designate under section 24 of the Local Audit and Accountability Act 2014 any recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

Responsibilities of the Chief Finance Officer and the Council

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which comprises 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.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Council's and group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council intends to cease operations of the Council or group or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

In respect of our audit of the financial statements our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Auditor's responsibilities in respect of the Council's use of resources

We are required under Section 20 of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criterion specified by the National Audit Office.

We report if significant matters have come to our attention which prevent us from concluding that the Council 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 Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Certificate of completion of the audit

We certify that we have completed the audit of the accounts of Woking Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of Woking Borough Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in the Responsibilities of the Audited Body and Responsibility of the Auditor within Chapter 2 of the Code of Audit Practice published by the National Audit Office. Our audit work has been undertaken so that we might state to the members of the Council 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 Council and the Council's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Leigh Lloyd-Thomas
For and on behalf of BDO LLP, Appointed Auditor
London, UK
31 July 2019

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