**To:**
**All members of the Audit Committee**

*Please reply to:*
Contact: Melis Owen
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Direct line: 01784 446224
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Date: 3 December 2024

Supplementary Agenda

**Audit Committee - Wednesday, 4 December 2024**

Dear Councillor

I enclose the following item which was added on to the agenda for the Audit Committee meeting to be held on Wednesday, 4 December 2024:

**3. 2018-19 to 2022-23 Spelthorne Backstop arrangements for the outstanding annual audit and Value for Money Statements:** **3 - 112**

**Appendix F- 2022-23 Draft Unaudited Statement of Accounts (updated version)**

Please find attached an updated version of appendix F on the 2022-23 Draft Unaudited Statement of Accounts which was updated to include Group Accounts as this was omitted from the previous appendix.

Yours sincerely

Melis Owen
Corporate Governance

To the members of the Audit Committee

Councillors:

| | | |
|---|---|---|
| J. Button (Chair) | J.P. Caplin | P.N. Woodward |
| K. Howkins (Vice-Chair) | L. E. Nichols | P. Briggs |

| | |
|---|---|
| J.R. Boughtflower | H.R.D. Williams |

Substitute Members: Councillors: M. Arnold, C. Bateson, M. Bing Dong, T. Burrell and O. Rybinski

# Spelthorne Borough Council Draft Statement of Accounts 2022/23

## Narrative Statement
### By the Chief Finance Officer

### Introduction
Welcome to Spelthorne Borough Council's statement of accounts for 2022/23. The Council's finances are complex, and we are required by law to include a great deal of detailed information and to present it in the prescribe format below.

The Narrative Statement presents an overview of the Council's accounts for the fiscal year ended 31 March 2023 and aims to help residents, stakeholders and interested parties understand the most significant issues reported in the accounts and how they relate to the Council's overall business. It includes comment on the financial performance and economy, efficiency, and effectiveness in the use of resources over the fiscal year and in the context of the "Cost of Living Crisis," which followed on quite quickly from the COVID-19 pandemic and the Council's Medium Term Financial Strategy (MTFS), as set out in its Outline Budget reports.

As is the case across the country the biggest challenge faced by the Council and its residents and business communities during 2022/23 has been dealing with the impacts of the Cost-of-Living Crisis and the tail end of the COVID-19 pandemic, it has been a challenging year. The Council continues to provide support to our vulnerable residents and communities and distributing grant support funding by Government to support both businesses and residents, via, the Energy Rebate Grant, Alternative Fuel Repayment Grant, Hardship Support and providing support to refugees from Ukraine and Afghanistan. During the year, the combined value of business rates relief provided to retail, leisure and hospitality businesses and direct business support grants exceeded £7.6m (2020/21: in excess of £50m)

As we come out of the pandemic and move into the Cost-of-Living Crisis the Council has continued to refine and deliver on a broad ranging Recovery Plan addressing the need to support our community and businesses to recover and to use it as an opportunity to do so on a climate change friendly basis as possible. Inflationary pressures directly impacted on the Council's own operating costs particularly staff, food for our Meals on Wheels and lunches at our community day centres for our elderly residents, and fuel & energy on the Revenue Budget and on the Capital Programme construction inflation of approximately 20% made delivering our housing delivery programme more challenging particularly when combined with a significant rise in interest rates.

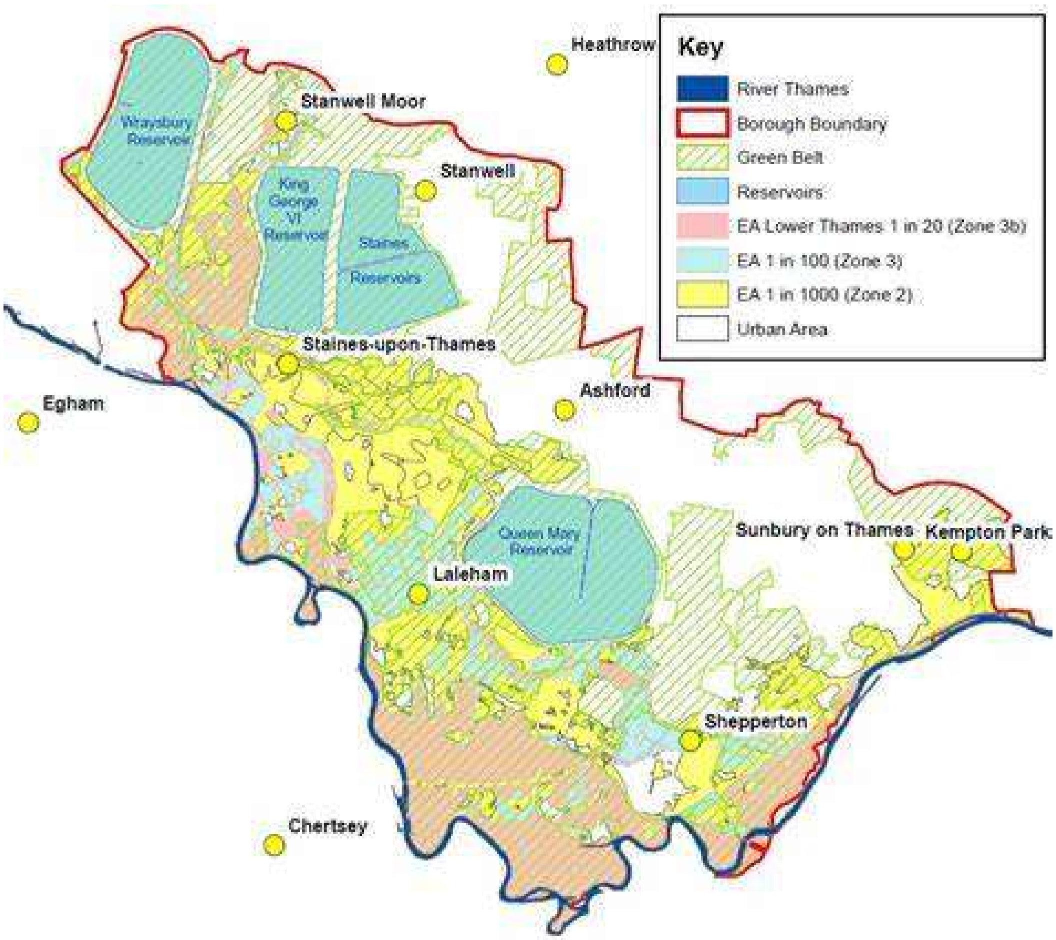
### Basis of preparation
These accounts are presented on an International Financial Reporting Standards (IFRS) basis having been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

The purpose of the Statement of Accounts is to give electors, other local taxpayers, councillors, employees, central government, and other interested parties, clear information about the Council's finances – what local services have cost, how the Council pays for them and what the assets and liabilities are at the year end. The objective is to give a 'true and fair' view of the financial position and transactions of the Council.

References to material and materiality relate to the significance of transactions, balances, and errors, noting that financial information is material if its omission, inclusion, or misstatement could influence the user of the accounts.

## Organisational overview & external environment

Spelthorne Borough Council is located in the northwest corner of the current county of Surrey, and it is the only Surrey borough council located north of the river Thames which runs along its boundary. Its Council main offices are based in Staines-upon-Thames and covers Ashford, Sunbury-on-Thames, Shepperton, Stanwell and Laleham and has the highest density of population per square mile, of all the districts and boroughs in Surrey.




The Borough covers 19.75 square miles and 65% is within the green belt. 17% of the Borough is made up of water, which includes five reservoirs, supplying drinking water to most of London. 12 miles of River Thames frontage and finally the river Ash, which rises and ends in the Borough alongside Staines Moor (shown below), and Sheepwalk Lake and wetlands are sites of special scientific interest, and together with our bird reserves, sailing and other water sports, the borough is a wonderful place to live and enjoy the beautiful Spelthorne countryside.

The total population of Spelthorne according to the 2021 census (most recent available figure at time of publication) is 102,956 which is a 7.7% increase since the last Census in 2011. There are 41,085 households, a 5.8% increase from the last census in 2011, with the average household size being 2.46 people.

Our working population is almost 60% of the total population in the Borough and this is the second highest figure within the Surrey area, together with a close proximity to Central London, London Heathrow airport, the new Shepperton Studios expansion and with exceptional motorway links, this makes Spelthorne an ideal place for employers to locate their business. There are 8,580 self-employed trades and professionals many of these provide services to residents and businesses in Spelthorne.

The local economy comprises over 7,140 businesses including large employers like BP, Samsung, Wood Group Kenny and Shepperton Studios, A major economic influence on the region continues to be Heathrow with the airport directly and indirectly being the largest source of employment within the Borough.

The Borough is twinned with the French town of Melun and Grand Port Mauritius and the Borough's roots can be traced back to the Doomsday book of 1086.

Spelthorne Borough Council is open for business and can offer a wide range of support for employers wishing to locate to the Borough.

## Political Structure in the 2022/23 Municipal Year

Spelthorne has 13 wards represented by 39 Councillors. The Council will hold an all-out borough election on the 4 May 2023 and the current political make-up of the Council at 31 March 2023 is:

Conservative Party 15
Liberal Democrat Party 8
United Spelthorne Group 4
Greens 3
Labour Party 3
Independent Spelthorne Group 2
Breakthrough Party 2
Independents 2

The Council operates the Committee system of government, and this has led to a wider engagement of the whole of Council, since its inception of the committee system in May 2021.

On 26 May 2022 Cllr John Boughtflower became Leader and Cllr Tony Mitchell became Deputy Leader.

Following the Local elections on 4 May 2023, the political make up changed to the following:

Conservative Party 12
Liberal Democrats 10
Independent Spelthorne Group 7
Labour Party 7
Green Party 2
Independent Green 1

On 25 May 2023, Cllr Jo Sexton became Leader and Cllr Chris Bateson became Deputy Leader. Under the Committee system the Leader and Deputy Leader are non-executive roles, and they act as Chair and Vice Chair of Corporate Policy and Resources Committee.

## Management Structure

Supporting the work of councillors is the organisational structure of the Council headed by the Corporate Management Team, led by the Chief Executive Mr Daniel Mouawad.

The Corporate Management team consists of:

- Chief Executive
- Deputy Chief Executive / Chief Finance Officer
- Deputy Chief Executive

- The Corporate Management Team is responsible for the delivery of Council services, directing improvements and future plans for Spelthorne. It provides managerial leadership and supports Councillors in developing strategies.
- identifying and planning resources.
- delivering plans; and
- reviewing the Council’s effectiveness with the overall objective of providing excellent services to the public.

The Corporate Management Team are supported by the following Group Heads and senior managers:

- Group Head of Assets
- Group Head of Commissioning and Transformation
- Group Head of Community and Wellbeing
- Group Head of Corporate Governance (Monitoring Officer)
- Group Head of Neighbourhood Services
- Group Head of Place, Protection and Prosperity

As at the end of March 2023 the Council employed 388.43 FTE equivalent staff (2021/22: 397.56 FTE).

## Cost of Living Crisis and COVID-19

The current financial year which had been anticipated to be a year of recovery from the economic impacts of the COVID-19 Pandemic, however, this has been overshadowed by the impacts of the Cost-of-Living Crisis, with rising energy costs, food prices and numerous increases in the Bank of England Base rate, in quick succession, impacting on the United Kingdom economy.

In the context of these issues the Council achieved better than anticipated local tax collection rates, achieving 97.2% (2021/22: 96.7%) for Council Tax and 97.15% (2021/22: 85.4%) for Business Rates.

**Revenue Outturn for 2022/23**

Please note that due to the Borough elections and pre-election period, Council has yet to approve the 2022/23 Revenue Outturn figures and the statement of accounts are subject to any amendments recommended by the Corporate Policy & Resources Committee at their meeting on 26 June 2023.

The Council achieved a modest underspend of (£0.48m) on its revenue budget which enabled the level of the General Fund Reserve at the end of 2022/23 to increase to £2,482,000. This was a prudent move to assist in protecting residents, services, and finances in future years, as it provides funds for general use, specifically during challenging times, as we saw in the past with the COVID-19 pandemic and will see in the future with the Cost-of-Living Crisis.

The Council in response to the financial challenges imposed by the pandemic, whose impact on the economy was beginning to wane, only to be replaced by a Cost-of Living crisis, has pro-actively engaged with the tenants of its commercial properties. Overall, the Council managed to achieve an exceptionally good collection rate collecting for 2022/23 of 98.91% to date, (2021/22: 99.98%) of the rents on invoiced. The Council in response to the pandemic has been reviewing on a weekly basis worst case and expected case scenario modelling its rental income, projected over ten years of its sinking funds (funds set aside from the commercial rental stream to cover future potential income dips arising from voids, rent free periods, refurbishments, etc). This analysis indicates that the sinking fund balances as at 31 March 2023 of £37.7m. (2021/22: £33.6m) are more than sufficient to insulate the Council's Revenue Budget and Council Taxpayers from any significant dips in rental income. In 2021/22 based on the financial modelling Council approved an additional £2.49m was put into the sinking fund, over and above that already budgeted, to cover expected use of the sinking funds reserves will be applied to offset dips in income arising from the predicted turnover of a few tenants in the portfolio in 202/24 and 2024/25.

## Capital Strategy and assets.

In February 2023, the Council approved its updated Capital Strategy https://www.spelthorne.gov.uk/capitalstrategy. The strategy outlines the Council's housing delivery and regeneration capital for the Borough. There is a particular focus on increasing the supply of affordable housing available within the Borough with the Council committing to deliver many of these developments as Affordable Housing particularly for the residents in the Borough, which covers, key workers, young families, and the vulnerable, which will then be managed by its housing delivery company Knowle Green Estates Ltd. At an Extraordinary Council meeting on 2nd February 2023 the Council agreed a refreshed strategy for ensuring the financial viability of its housing delivery planning. The new strategy included:

- Committing to seek to maximise Homes England grant funding to support affordable housing and key worker housing
- Making the Thameside and Benwell Phase 2 schemes private rental
- Accelerating the Tothill residential scheme
- Committing to a capital injection into Knowle Green Estates (KGE)

The Capital Strategy focuses on the delivery of housing for residents and driving regeneration of the built environment within the Borough, as well as investing in service assets such as the new leisure centre. The Strategy sets out how the Council manages risk.

Over the next five years the Council aims to deliver more than 600 units for its residents. Most of these homes will be owned and managed by the Council's wholly owned housing delivery company Knowle Green Estates Ltd.

The Council as at the 31 March 2023 had an investment asset portfolio valued at £755.2m (2021/22: £916.4m) and receives a commercial rental income stream as set out in the table below. In the context of the economic impact of COVID-19 and the Cost-of-Living Crisis it was not surprising that the property valuations dropped 17.5% (2021/22: 2.7%), however, the Council is looking to retain the assets on a long-term basis, and apart from the Charter building all properties are fully occupied. As at the end of 2022/23, the overall occupancy rate for the Council's commercial assets was 87.3% (2021/22: 92.4%) by floor area.

The slight fall in occupancy rates is partially due to the war in Ukraine, as one of the Council's tenants was a Russian business. The table demonstrates that after debt financing and setting aside prudent provisions for future refurbishment of the assets, the net commercial return of approximately £9.9m, (please note that this excludes regeneration properties, which when included take the net commercial return back to just over £10.8m) (2021/22: £11.4m) per annum provides additional funding to support the provision of services to residents.

Note 13 sets out the disclosure requirement for our Investment and Regeneration Properties. As this does not include items relating to debt management and associated contributions to reserves, the following table provides that analysis.

| Investment & Regeneration Property | forecast 2022/23 *£'000* | actual 2022/23 *£'000* | forecast 2023/24 *£'000* |
|---|---|---|---|
| Rental income from properties | (51,586) | (44,826) | (42,718) |
| Other Income | (4,306) | (7,738) | 0 |
| Net Operating costs | 8,288 | 4,407 | 6,319 |
| Minimum revenue provision (MRP) | 11,996 | 11,023 | 11,300 |
| Interest on borrowing | 22,535 | 22,690 | 22,535 |
| Sinking fund contributions | 6,775 | 7,658 | 967 |
| Sinking fund usage | (3,767) | (3,767) | (5,843) |
| Set aside | 630 | 630 | 630 |
| | (9,435) | (9,923) | (6,810) |

There is no forecast other income in 2023/24, as the rent guarantees ended in September 2022, there are no planned leased surrenders, neither is there any filming rights income anticipated in the year.

Since preparing the 2023-24 forecasts shown above, the Council is in advanced negotiations with two tenants that will significantly increase the rental income received in the year, with one tenant committed to occupying in the summer of 2023.

During the summer of 2023/24 officers will be undertaking a review of our sinking fund reserves strategy for the next 50 years, as well as looking at the medium to long-term plans, which in view of the delays being experienced in completing the Council's development projects and impact on future revenues, will model a variety of scenarios, to ensure that Council's finances are in the best shape possible, and that Councillors are aware of all the risks involved. It will also assist Council to take a prudent approach to both utilising the income streams from our investment properties to invest in our housing, service delivery and regeneration programme, as well as setting aside sufficient income to cover our future plans to redevelop our property portfolio and align with the council's Capital Strategy.

The Council's diversified treasury management portfolio continued to produce good returns. Pooled funds (backed by equities, assets, or corporate bonds) valued at £33.4m (2021/22: £35.6m) yielded an average return of 4.51% (2021/22: 4.1%).

### Core Statements

The following paragraphs provide a brief explanation of the core statements which make up the Statement of Accounts and they are:

- Movement in Reserves Statement
- Comprehensive Income and Expenditure Statement
- Balance Sheet
- Statement of Cash Flows
- Expenditure Funding Analysis

The **Movement in Reserves Statement** shows the movement in the year on the different reserves held by the Council analysed into 'usable reserves' (i.e., those that can be applied to fund expenditure or reduce local taxation) and other reserves. The deficit for 2022/23 shown on the movement in year on Total Comprehensive Income and Expenditure of £143.4m (2021/22: (£0.5m) surplus) shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. The surplus/deficit figures are different from the statutory amounts required to be charged to the General Fund balance for council tax setting purposes, due mainly to the paper losses caused by the reduction in property valuations, debited to the Capital Adjustment Account, which is an unusable reserve, and does not impact on the residents of the borough The Council is holding these assets for the long term and expects these valuation decreases to reverse over future years.

The net transfer to cash backed usable reserves is £6.7m (2021/22: £3.3m). Total cash backed reserves as at end of the year amounted to £74.6m (2021/221: £67.9m).

The **Comprehensive Income and Expenditure Statement** shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations. The segmental reporting note to the Statement enables a comparison of the outturn figures to the format in which budget monitoring figures have been reported to Councillors throughout the year. The total net deficit on the Total Other Comprehensive Income and Expenditure Statement of £108.5m (2021/22: (£22.8m) surplus) reflects a deficit on the provision of services of £143.4m (2021/22: (£0.5m) surplus) and a deficit of £34.9m (2021/22 (£22.4m) surplus) on other items which is brought about by a surplus on the re-measurement of the net defined pension benefit offset by a deficit in investments in equity instruments at fair value. Full details are shown on the Comprehensive Income and Expenditure Statement.

The **Balance Sheet** shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net liabilities of £129.2m (2021/22: £20.7m) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves is usable, i.e., cash backed reserves totalling £74.6m (2021/22: £67.8m). These includes capital grants, revenue, and earmarked reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves is those the Council is not able to use to provide services, known as non-usable reserves totalling £203.8m (2021/22: £88.6m). This category includes reserves that hold unrealised gains and losses, for example the revaluation reserves, where amounts would only become available to provide services if the assets are sold and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations.

The **Statement of Cash Flows** shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash inflows arising from operating activities of £9.3m (2021/22: £68.9m) is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. The investing activities represent the extent to which cash outflows have been made for resources intended to contribute to the Council's future service delivery.

Whilst not a core statement within the Statement of Accounts as a local Council with responsibility for collecting council tax and business rates the Council is required to prepare an annual **Collection Fund Statement (**shown below). The Local Government Finance Act 1988 requires each charging council to operate a Collection Fund to account for the Council Tax and Business Rate Income and its distribution to Precepting Councils (Surrey County Council and Surrey Police and Crime Commissioner) and Central Government.

This Council's levy on the Collection Fund for 2022/23 was set at £216.14 (2021/22: £210.05) per Band D property, a 2.9% (2021/22: nil%) increase on the previous year and a transfer of £8.9m (2021/22: £0.2m), into the Collection Fund following lower than expected collection rates for Council Tax during the previous year. There was a surplus of £6.6m (2021/22: £0.6m surplus) on business rates. On council tax there was a surplus of £2.4m (2021//22: £1.2m surplus).

The Council has two wholly owned subsidiaries, Knowle Green Estates Ltd and Spelthorne Direct Services Ltd and both companies are audited annually, and their accounts are filed at Companies House.

## Capital Expenditure

The Council's capital expenditure plans must be prudent and affordable in the longer term and the Council adheres to guidance set out in the CIPFA Prudential Code for Capital Finance in Local Councils, which has legislative backing. Whilst it has taken the view that it will use capital receipts and seek grants to assist to fund its capital programme, it may consider using borrowing in the future for specific capital projects.

The Capital Programme is prepared on a 4-year rolling basis and is reviewed every year. The Capital Programme consists of housing investment, including projects to increase housing supply within the borough and renovation and renewal grants made to individuals and tenants of housing associations, and non-housing activities including information technology, vehicle replacement and improvements of major assets and acquisition of assets.

Total gross capital expenditure in 2022/23 was £20.9m (2021/22: £28.6m) and a breakdown of the schemes making up this spend can be found in note 30. The majority of this related to financing of regeneration of Council assets, notably the new leisure centre in Staines, which is being built to the demanding environmentally friendly Pasivhaus House specification, making it the largest wet and dry facility of its kind in the world and housing delivery schemes. The residential developments were financed by borrowing from the Government's Public Works Loan Board (PWLB) at fixed low rates of interest, prior to the impact of the numerous increases in the Bank of England base rates, which saw the PWLB certainty rate on long term borrowing rise to over 5% in the last week.

The following statement shows the total gross capital expenditure for the year and how it has been financed.

| 2021/22 *£'000* | Total Capital Expenditure | 2022/23 *£'000* |
|---|---|---|
| 28,624 | Total Capital Expenditure | 5,922 |
| | Financed by: | |
| (858) | Capital Receipts | (321) |
| 0 | Grants and Contributions | (1,268) |
| (2,857) | Revenue Resources | (1,000) |
| (24,909) | Borrowing | (3,333) |
| (28,624) | Total Capital Financing | (5,922) |

Future capital expenditure and resources are as follows:

| Future Capital Investment Plans and Resources | Estimate | Estimate | Estimate | Estimate |
|---|---|---|---|---|
| | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
| | *£'000* | *£'000* | *£'000* | *£'000* |
| Capital Programme | 58,830 | 147,610 | 163,610 | 78,000 |
| Resources | | | | |
| Capital Grants/Contributions & Capital Receipts | (10,970) | (26,750) | (6,210) | (62,550) |
| Revenue Contributions (including Reserves) | (750) | (750) | (750) | (750) |
| Borrowing | (47,110) | (120,110) | (156,650) | (14,700) |
| | (58,830) | (147,610) | (163,610) | (78,000) |

The Council is currently in discussions with Homes England to access between 20-30% funding on its housing development projects, which would have a significant positive impact on reducing the funds required to be borrowed to complete these projects. In order to obtain this grant funding, the Council needs to obtain Registered Provider (RP) status, which takes between twelve and eighteen months, therefore, until the council has obtained the RP status required to access the grant funding, it has not been shown in the above table.

The Council strategy is to finance capital spending which generates ongoing income streams from a combination of borrowing on a prudential basis on our projects, maximising applicable grant funding and use of capital receipts for our smaller projects, particularly around housing delivery. The Council will use revenue contributions to assist in funding the Capital Programme. To strengthen these reserves, and levels of capital receipt potential asset sales are kept under review.

**Pensions**

International Accounting Standard 19 ‘Employee Benefits’ (‘IAS19’) requires councils to provide clear information on the impact of the Council's obligation to fund the retirement benefits of its staff. Information has been received from the Actuary on the latest position as at 31 March 2023, showing a deficit of £15.7m for this Council, (2021/22: £51.7m deficit) and the main reasons for this change are shown below.

- The deficit was decreased due to several factors the main ones being a decrease in the present value of the defined benefit obligations by £37.4m. and a £1.6m decrease in the value of the pension fund assets. This was due to several factors including the discount rate increasing from 2.7% in 2021/22, to 4.45% in 2022/23. Together with a small reduction in the average age of current and future pensioners. There were also a few smaller changes to the assumptions made within the scheme.

- It must be emphasised that this calculation has been made for the specific requirements of ‘IAS 19’ and should not be used for any other purpose. The valuation report from the actuaries for the latest triennial Valuation as at 31 March 2022 valuation confirmed an increase in both the primary and secondary contribution employer rates for Spelthorne to take effect from April 2020, in part the increase in rates reflect the growth in number of staff employed by the Council since 2016. The Council decided to spread the cost of the secondary contributions (past service) over next three years. The liabilities of £15.7m show the underlying commitments that the Council has in the long-term to pay retirement benefits. The liability has a substantial impact reducing the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy.

The deficit on the pension scheme will be made good by contributions over the remaining working life of employees as assessed by the scheme actuary.

Finance is only required to cover discretionary benefits when the pensions are actually paid.

### Borrowing

During the year, the Council took up additional external long-term borrowing of £30.0m (2021/22: £5.0m) to fund its housing delivery and regeneration programme. This was predominantly converting short term variable interest loans into long term fixed interest loans, before the significant increase in the Bank of England base rate, which fixed the interest rate for 50 years, and reduced the Council exposure to risk of future interest rate rises. By the end of the year, outstanding long-term debt stood at £1,068.8m (2021/22: £1,077.4m). Total aggregate financing charges on long-term borrowing, before deducting capitalised interest on development projects and interest received from the Council subsidiaries, amounted to £25.4m (2021/22: £24.5m). These were more than covered by additional income generated by the assets acquired with this loan funding over the years.

| Comparison of Revenue Budget to Revenue Outturn | Revenue Budget 2022/23 *£'000* | Revenue Outturn 2022/23 *£'000* | Variance Outturn to Budget *£'000* |
|---|---|---|---|
| Gross Expenditure | 68,250 | 58,850 | (9,400) |
| Gross Income | (42,264) | (40,001) | 2,263 |
| | 25,986 | 18,849 | (7,137) |
| Investment Property Income | (51,586) | (48,157) | 3,429 |
| Interest on balances | (1,439) | (4,008) | (2,569) |
| Transfers (from)/to Earmarked Reserves | 1,885 | 5,398 | 3,513 |
| Interest paid | 23,858 | 24,229 | 371 |
| Debt repayment | 12,279 | 12,094 | (185) |
| Set-aside | 1,130 | 630 | (500) |
| Capital expenditure financed from revenue | 750 | 1,000 | 250 |
| | 12,863 | 10,035 | (2,828) |
| Financed by: | | | |
| Non-ringfenced grants and contributions | (2,421) | (6,262) | (3,841) |
| Net receipts from Business Rates | (2,030) | 4,181 | 6,211 |
| Council Tax (Demand on Collection Fund & Surplus) | (8,432) | (8,432) | 0 |
| (Surplus)/deficit for the year | (20) | (478) | (458) |

### Financial Strategy Review

The Council continuously reviews and updates its medium-term financial strategy for the next four years and beyond, in the light of the most up-to-date information, economic conditions and announcements from central government, and will model the future impact on the Council's finances.

The COVID-19 pandemic saw a significant net decrease in our fees and charges income, particularly with our car parks since March 2020, and the Cost-of-Living Crisis will only compound this situation. Officers will model several different scenarios to 'stress test' the impact of a prolonged downturn in this income stream on the delivery of services to our residents and the overall financial health of the Council going forward.

Whilst the fall in the headline rate of inflation to 8.7% in April 2023 was to be welcomed, the core inflation rate saw another increase, as a result a further increase in the Bank of England base rate cannot be rules out, and this is going to cause significant challenge for 2023/24 and beyond for the Council, which is already looking at how this will impact on our services over the coming four years, particularly as many residents come to renew their fixed mortgage deals at a significantly higher interest rate. Offset against this is the welcome news that energy prices are expected to fall substantially for our residents. The delays to the Council's development projects has reduced cash inflows into the Council at a time when the Council is under pressure to balance its books.

There is no doubt that the next two to four years will be challenging in terms of balancing the Council's finances, and the contribution to services from the Council's investment portfolio, will be a key element of securing a positive outcome for the Borough.

In the meantime, officers will continue to model events and monitor collections rates, to ensure that the Council continues to deliver the essential services, particularly to our vulnerable residents.

To mitigate some of these challenges, Council will be looking to:

1. Explore the potential for savings through collaborating with other London Borough of Sutton, Surrey councils and other public sector partners
2. How to manage risk with respect to existing income generating assets and delivery of housing and regeneration schemes across the Council
3. Keeping the Business Plans of Knowle Green Estates and Spelthorne Direct Services under review
4. Seeking to have a balanced approach to funding the Capital Programme to maximise proportion financed from alternatives to borrowing, including exploring potential for joint ventures
5. Identification and delivery of new income sources such as commercial waste service
6. Maximising income from the assets the Council owns (the Corporate Policy and Resources Committee agreed a strategy for repatriating surplus from Knowle Green Estates). Continuing to diversify the Council's investment (treasury management) portfolio and seek to maximise investment returns whilst balancing risk
7. Investing in initiatives, making use of Government grant assistance, to mitigate some of the homelessness pressures (including emerging pressures relating to refugees) on the Council's revenue budget, including increasing supply of range of housing tenures within the Borough
8. Seeking procurement savings - with a particular focus on asset related expenditure and developing appropriate frameworks
9. Tight vacancy control whilst seeking to balance impact on service provision (currently a moratorium on growth in FTE numbers)
10. Setting tight parameters for the Committees for the 2023-24 Budget process
11. Reviewing fees and charges, balancing impact on local residents and the local economy with the need to increase income
12. Smarter use of technology –Seeking to encourage economic development within the Borough which will help stimulate business rates growth which will assist the Council's future funding. This will be linked to progressing the Local Plan for the Borough and master planning for Staines-upon-Thames.

Every year, Council reviews its Reserves Strategy, which sets out the purposes for which it holds reserves and how some of those reserves will be used to provide additional resilience to help the Council meet both its current and future challenges, including the COVID-19 pandemic, Cost of Living Crisis, and inflation. As at the 31 March 2023 the Council held £74.6m (2021/22: £67.8m) in cash backed reserves.

The Council's reserves have increased steadily in recent years because of the prudent strategy to build up its sinking fund reserves to ensure that the Council has sufficient funds set aside to meet potential future dips in its commercial income, assist with the refurbishment and modernising of our properties and provide sufficient funds to develop our housing strategy.

The Council declared a Climate Change Emergency in October 2020 and addressing the challenges of climate change will increasingly impact on the Council's financial strategy. For our residential and service developments we are seeking to build in best environmental practice, for example air source heat pumps for our Victory Place keyworker scheme and Pasivhaus for the new Spelthorne leisure centre. This will increase the cost of upfront capital investment but should reap longer term revenue benefits through constraining rising energy costs. During 2023-24 we are looking to put in place a transitional strategy for moving over the medium term the Council's medium term pooled funds to investments with stronger Environmental, Social and Governance criteria.

**2022/23 Budget**

In 2022/23 the total budgeted expenditure was £58.9m (2021/22: £56.7m) this is excluding non-cash cost of services such as depreciation, impairment costs and pension adjustments. Of this, the Council pays approximately 44% in housing benefit to many residents in the borough on low incomes, this money is repaid by the government subsidy.

Revenue spending is mainly on items that are consumed in the financial year and is financed from Council Tax, government grants, contributions from non-domestic rates and charges for services.

On 24 February 2022, Council approved a budget of £12,749.3k funded from Council Tax, and grants, which delivered a balanced General Fund Revenue Budget for 2023/24 as shown in the table below:

| Revenue Budget 2022/23 | *£'000* | *£'000* |
|---|---|---|
| Net Expenditure | | 12,749.3 |
| Funded by: | | |
| Council Tax | (8,549.7) | |
| Retained Business Rates | (1,929.0) | |
| Grants | (2,387.6) | |
| Collection Fund Deficit | 117.0 | |
| Total funding | | (12,749.3) |
| General Fund Revenue Budget | | 0.0 |

## Local Government Association (LGA) Corporate Peer Challenge

At the end of November 2022, Spelthorne Borough Council invited a team of senior officers and councillors to undertake a comprehensive Local Government Association Corporate Peer Challenge. The team conducted more than 40 meetings involving over 125 people, including a range of Council employees and councillors as well as external stakeholders and partners.

The Peer Team concluded that "Spelthorne Borough Council has achieved many unique things of which they can be rightly proud, ranging from the high profile and strategic to the very local and small scale. Their Covid response was brilliant and a focus on supporting vulnerable people in their community is evident. The full report can be found here.

"The Council has a generally friendly and caring staff culture where cross-service working is very good. Partners and officers would benefit from a clear political direction and visibility from the Council for which it needs a cohesive, functioning Councillor cohort. There is an opportunity for councillors to have a clearer strategic vision for the future rather than spending so much time internally focused in the here and now."

In Spelthorne, we place a lot of value on the work we do with our residents to understand what matters most to them and seek solutions together. During their time, the team were able to visit a range of locations across the Borough, including a walking tour of Staines-upon-Thames, Fordbridge Community Centre, the White House, and the West Wing where they had the opportunity to hear from our residents directly. During the process the team also spoke with a cross-section of our community from key stakeholders, strategic partners, and businesses and I am grateful for their participation and engagement."

The following are the peer team's 12 key recommendations to the Council:

1. All Members need to identify what they have in common in terms of shared priorities and objectives for your Borough and your residents and use them to progress the delivery of your shared ambitions for Spelthorne.
2. Then share your agreed political ambitions for the Borough to create a longer-term vision embodied in a universally agreed Corporate Plan.
3. Take the opportunity you now have to reset the officer / Member working relationship and agree how it will work differently going forward for the benefit of your residents.
4. The discrete but complementary roles of officers and Members need to be better understood by all to improve working relationships.
5. Take the time today to plan for tomorrow. Do not put off the 'non-urgent strategic' work you need to do.
6. Members need to respect officers' roles and give them the time and space to focus on delivering the important priorities you have agreed.
7. Recognise the risk of continued poor behaviour by some Members and the impact on the organisation and your reputation as a Council and a place. Take steps to address it.
8. Continue your efforts to address the issue of outstanding audits of the financial accounts.
9. Review the working of the committee system by looking at best practice elsewhere to consider how to create a system that is fit for purpose.
10. Engage in financial training for Members to promote a better understanding of financial implications, project viability and creating robust business cases.
11. Improve the balance between communication and meaningful engagement whereby people feel listened to and heard. Use this in the context of evidence and need, to drive priorities and take people with you.
12. Consider how the LGA can continue to assist with the above recommendations on this reset journey.

The Council has now received the final report including its 12 recommendations. At their June 2023 meeting the Corporate Policy & Resources Committee will discuss and formulate an action plan to address the recommendations.

### Public Interest Report (PIR)

In October 2022, the Council’s previous auditors KPMG issued their long-awaited Public Interest Report into their Value for Money audit for the year 2017/18. Due to a by election being held in the Borough, the publication of the report was delayed until 30 November 2022,

The Council agreed a response to the PIR and an Action Plan is being developed for approval by Audit Committee.

The response maintains that all the Council's actions relating to the asset acquisitions in question have been in accordance with legal advice provided by James Goudie KC and that the Council always complied with the existing legislation and guidance for each investment.

Furthermore, in the last four and a half years, whilst awaiting the release of this KPMG 2017-18 Value for Money audit report, the Council had already addressed the issues identified in the 5 recommendations and actioned them through our own risk analysis and evolving governance arrangements. The Council will be presenting an Action Plan to its July 2023 Audit Committee to address specific recommendations of the PIR,

Spelthorne Borough Council started its investment policy to make up government funding shortfall and avoid cutting services. The income provides important support to the Council's finances and enables it to deliver services which many councils can no longer afford to provide. This includes services for vulnerable residents such as community centres, meals on wheels and community transport.

It is over four years since the Council acquired any new investment assets and the focus continues to be managing the existing portfolio and maintaining income levels to deliver regeneration and service delivery across the Borough. Providing affordable homes for residents is a key priority for the Council and our investments are key to helping us achieve that. Recent projects have included 25 affordable homes built using a wing of the Council's own offices in Knowle Green, and two emergency accommodation facilities in Ashford for homeless individuals and families.

In respect of the Annual Audit report on the financial statements for 2017-18, KMPG had confirmed at the Audit Committee meeting on 23 March 2023 that they would be issuing an unqualified opinion.

### Capital Review of the Council by Chartered Institute of Public Finance and Accountancy (CIPFA) on behalf of Department of Levelling Up, Housing and Communities (DLUHC)

The Council was advised that DLUHC had requested CIPFA to carry out a review the Council’s capital expenditure programme and its approach to risk mitigation. The full terms of reference were not made available to the Council.

Early in February 2023 CIPFA carried out their review, interviewing Officers and Councillors and have submitted their report to DLUHC for consideration and the Council expects to receive a response in the next six to eight weeks.

### Summary

The next few years will continue to be extremely challenging, with a post Brexit future still adding to the enormous uncertainties created by the COVID-19 Pandemic, whose impact is still being seen, and this is on top of the Cost-of-Living crisis and inflationary pressures in construction.

In December 2022, the Council received notification of the core spending power guarantee grant, for 2023/24 and 2024/25, which will take the Council up to the next election. The Council is reviewing and revising its Outline Budget key parameters and assumptions to provide a focus for the forthcoming 2024-25 Budget process which is anticipated to be challenging. The Council in its Outline Budget projections is anticipating that in future it will be allowed to retain a smaller proportion of business rates generated locally.

With the Council's commercial income stream holding up well despite the pandemic the Council was able set a balanced budget for 2023/24 and on an indicative basis the Council is forecasting budget deficits for the reasons mentioned above for the years 2024/25 to 2026/27.

It will be essential that Council is able to generate additional fees and charges income, ideally through a stronger mix of volume growth, frequency of spend and price increase, together with working smarter and offering up savings that do not impact on the delivery of our current services to residents, through using technology as an enabler.

Council will also need to work hard to complete its development projects (housing), ensuring that they are financially viable, particularly for Knowle Green Estates, as this would provide a strong inflow of funds to support the Council's activities.

The Council has added significantly to its cash backed reserves which now total £74.6m (2021/22: £67.8m) particularly sinking funds which should help Spelthorne to withstand the economic shocks of the Cost-of-Living crisis. The Council is regularly updating 10-year worst case scenario modelling of its sinking funds and as commented will be undertaking a review of its sinking fuds reserves 50-year strategy. The Council continues to be focused on delivering services to our vulnerable residents, seeking efficiencies, and utilising the development properties acquired to assist with the delivery of the Council's affordable housing programme, support its regeneration programme and support the delivery of key services in the borough.

Spelthorne has a history of prudence in the way we manage the finances, and we will continue to review rigorously all our services to ensure that they are needed and are delivered economically, efficiently, and effectively.

Following the departure of the UK for the European Union on 31 December 2020, the impact on the Council of the UK leaving the European Union is still to some extent uncertain at the present time, because of the impact of COVID-19 on the economy, although we are now seeing inflationary pressures in the construction sector, with fuel prices for our fleet and equipment, and increased heating and electricity payments, which will impact significantly on the Council's finances in 2023/24 and beyond.

### Further Information

If you require any further information, please contact Terry Collier, Chief Finance Officer, on Tel: 01784 446296 at the Council Offices, Knowle Green, Staines-upon-Thames, TW18 1XB.

## Statement of Responsibilities for the Statement of Accounts

This statement is given in respect of the Statement of Accounts 2022/23, signed, and dated by the responsible financial officer on behalf of the Council.

### The Council's Responsibilities

The Council is required:

- To make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Deputy Chief Executive / Chief Finance Officer.

- To manage its affairs to secure economic, efficient, and effective use of resources and safeguard its assets.

- To approve the Statement of Accounts.

### The Chief Finance Officer's Responsibilities

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

In preparing this Statement of Accounts, the 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 Accounting Practice on Local Council Accounting in the United Kingdom 2019/20 as required by the Accounts and Audit Regulations 2021 with the local authority "Code"

- Kept proper accounting records which were up to date; and

- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

### Certification of Section 151 Officer

I hereby certify that the Statement of Accounts presents a true and fair view of the financial position of Spelthorne Borough Council and its Income and Expenditure for the year ended 31 March 2023, dated xx xxxx 2023

Mr Terry Collier, CPFA, CA
151 Officer
Officer &
Deputy Chief Executive

Councillor Jon Button
Chair of Audit Committee Chief Finance

**Annual Governance Statement 2022-2023**

**Introduction**

As Leader and Chief Executive, we are acutely aware that everything the Council does relies upon a foundation of solid governance. Whilst still recovering from the impacts of the COVID-19 Pandemic, we continue to be significantly impacted by the geo-political challenging landscape - the war in Ukraine and a "Cost of Living Crisis". The Cost of Living created new pressures for our residents, businesses, communities and for the Council itself. This means that 2022-23 was yet another particularly challenging year for the Council.

**LGA Peer Review**

During 2022-23 the Council invited the Local Government Association (LGA) to undertake a Corporate Peer Challenge (CPC) Review of the Council. A Corporate Peer Review challenge is where experienced officers and leaders from other Councils visit a Council to review how its governance operates, how it understands and responds to its financial challenges, how its management and leadership is working, how it engages with its communities and understands and responds to the challenges they are facing. LGA Peer challenges are designed to support Councils to drive improvements and efficiency and to assist local authorities to respond to local priorities and issues in their own way to the greatest effect. The Peer Review took place in November 2022 and the Council received its report on 1ST February 2023 which was published Spelthorne BC CPC Report November 2022, and was considered by Full Council on 23 February 2023. This included a recommendation that Council agree to the development of an Action Plan to address the recommendations in the CPC report. Council agreed to accept these recommendations, subject to amending Recommendation 2 of the covering report to state, "to agree to the development of an Action Plan to address those recommendations and for this to be directed through the Corporate Policy and Resources Committee".

The CPC Team's report contains several observations and suggestions covering such areas as:

a. The positive work undertaken by the Council, including our 'brilliant' response to COVID.

b. The strength of cross-service working and the friendly and caring staff culture.

c. The strength of partnership working and how this could be further enhanced.

d. How a cohesive functioning Councillor cohort and the development of a clearer strategic vision for the future could help the Council to deliver more, and the effects the poor behaviour of a small number of Councillors is having on the organisation.

e. The need to clearly define and respect how the roles of officers and Members interrelate, in order to create trust and a more effective working environment.

f. Issues with the Council's current committee system, and the opportunity for this to be reviewed.

g. How delays in decision making by Members, particularly on some key issues, affects the Council's ability to unlock the value of its own development sites, deliver the required homes and may ultimately risk service delivery and timely achievement of corporate priorities.

h. The need to recognise that the current lack of cohesive working is affecting the Council's reputation, is costing the Council money, is affecting staff morale, and could affect the delivery of Council services for local residents and businesses.

Based on their findings the CPC team made 12 key recommendations to the Council within their report: 1. All Members need to identify what they have in common in terms of shared priorities and objectives for your Borough and your residents and use them to progress the delivery of your shared ambitions for Spelthorne.

2. Then share your agreed political ambitions for the Borough to create a longer-term vision embodied in a broadly agreed Corporate Plan.

3. Take the opportunity you now have to reset the officer / Member working relationship and agree how it will work differently going forward for the benefit of your residents.

4. The discrete but complementary roles of officers and Members need to be better understood by all to improve working relationships.

5. Take the time today to plan for tomorrow. Do not put off the 'non-urgent strategic' work you need to do.

6. Members need to respect officers' roles and give them the time and space to focus on delivering the important priorities you have agreed.

7. Recognise the risk of continued poor behaviour by some Members and the likely impact on the organisation and your reputation as a Council and a place. Take steps to address it.

8. Continue your efforts to address the issue of outstanding audits of the financial accounts.

9. Review the working of the committee system by looking at best practice elsewhere to consider how to create a system that is fit for purpose.

10.Engage in financial training for Members to promote a better understanding of financial implications, project viability and creating robust business cases.

11. Improve the balance between communication and meaningful engagement whereby people feel listened to and heard. Use this in the context of evidence and need, to drive priorities and take people with you.

12.Consider how the LGA can continue to assist with the above recommendations on this reset journey.

Measures are already in place to address a few of the issues outlined in the CPC Team's comments/recommendations, such as a review of the current committee system, the development of a member training programme for successful candidates in this year's May election, and an ongoing Establishment Review, which will cover issues such as staff recruitment and retention. An Action Plan has been developed which will outline these measures and any additional actions to be taken to address all 12 of the recommendations made by the CPC Team. Where appropriate these will be cross-referenced with other planned actions, for example where similar feedback was received from recent employee and Councillor surveys. The Action Plan will be considered by the June meeting of the Corporate Policy and Resources Committee.

We are charged by government to run the Council efficiently, effectively and economically. As a resident, you will rightly want reassurance that proper systems are in place and running properly to deliver the vital services on which you depend and we are pleased to present this Annual Governance Statement to explain how we deliver on these expectations, to outline what has been achieved over the last year and tell you about the improvements we are currently working on. We also set out action taken in the year to address any significant governance issues identified in the previous year's Governance Statement (2021/22).

In May 2021 the Council, following consultation moved its governance system from a Cabinet/Leader model to a Committee model. Whilst as to be expected there has been a few teething issues, which are being addressed on an ongoing basis by a Constitution Review Group which it is anticipated will be making further recommendations later in 2023.

We have continued to apply an overarching strategic framework, i.e., a Corporate Plan, setting out the Council's priorities and values. Following the May 2023 elections, the Council will focus on agreeing a new four-year Corporate Plan

We hope that in reading this Statement you will be encouraged to explore further the work of your Council. You can read all the documents to which we refer on our website and view Council meetings online to see how we do business. You can also discuss any of these matters with your local Councillor.

**Cost of Living Crisis**

The overwhelming challenge for us in the past year has been responding to the emerging cost of living crisis and inflationary pressures and managing the ongoing uncertainty.

Some headlines from responding to the Cost-of-Living crisis includes setting up and processing Household Support Grants allocations under the Government scheme to get additional support to households in need.

**The Council's vision for the Borough**

The Council currently has a Corporate Plan for the period 2021-23, a new Plan for period 2023-27 will be considered and approved during 2023-24. The Plan sets out five key priorities under the acronym CARES.

**C**ommunity – supporting our communities across the Borough

**A**ffordable housing – delivery the affordable housing the Borough's residents need

**R**ecovery – supporting our communities and businesses recovery from the impact of COVID-19

**E**nvironment (Climate Change)– ensuring the Council contributes towards tackling climate change

**S**ervice Delivery

The Council is committed to continuing to address climate change and with various energy audits undertaken the Council is continuing to look at becoming net zero by 2030. Following planning permission being gained for a flagship ultra-low energy use (Passivhaus) leisure centre construction has begun on what will be the UK's first fully Passivhaus leisure centre. We continue to work with other authorities in Surrey to seek funding and improve best practice in developing climate change measures. We received £12k funding form the Net Zero Innovation Programme to develop a community led initiative with Talking Tree, The Open University and Cobra collective with the aim of bringing together local people to respond to the climate emergency, develop new practical initiatives and inform Council policy.

The Council has also supported various biodiversity initiatives in our parks and looked to communicate on a regular basis climate change messages covering a range of topics.

Spelthorne Borough Council ran its first Carbon Literacy training and 23 members of senior staff including the Chief Executive and Deputy Chief Executives are now certificated as Carbon Literate. This training gives staff an understanding of the causes and effects of climate change as well the knowledge and motivation to reduce carbon emissions in their personal and work lives. Each member of staff that attends training makes 2 pledges about how they will reduce carbon emissions at work helping to reduce the Council emissions.

Every year Spelthorne Borough Council (SBC) organises a conference for pupils from the Primary Schools within the borough and the programme is now in its 14th year. Each school is invited to bring up to 6 students to take part in a daylong conference dealing with Environmentalism, Sustainability, Environmental Responsibility and Personal Environmental impact.

The Council continues to actively participate in the Development Consent Order process for the River Thames Scheme which will mitigate the impact of flooding in the Borough.

**Service Delivery**

In 2022 we developed our digital transformation strategy and after procurement are implementing a new customer portal to make it easier for residents to access services when and how they wish. We continue to work within all services to ensure we are as efficient and effective as possible. The project management process was digitally improved to make it easier for services to complete relevant documents and introduced better reporting systems, meeting the changing needs of our communities, adapting to meet new challenges, new ways of working and different ways of interacting with our communities.

The Corporate Plan also sets out the core values of the Council under the acronym PROVIDE. A set of organisational values defines the guiding principles and the culture of the Council and explains how the Council will act to achieve corporate priorities and objectives. The Council's values apply to all Officers and Members. These will be followed by a set of defined organisational behaviours to supplement the core values.

The Corporate Plan feeds into the service plans of the different Council Services so that the organisation pulls in the same direction.

The Corporate Plan takes account of the following types of issues for the residents of Spelthorne, all of which align closely with corporate priorities:

- **Corporate Priority Area – Recovery. COVID-19** – ensuring that the Council delivers an effective recovery plan to help its communities, businesses and the Council itself recover from the impacts of the COVID-19 pandemic. It is a going to take a few years for a full recovery to be made and this is further exacerbated and influenced by the ongoing adverse impact of wider externalities such as the macroeconomic environment (in particular inflation and the rising cost of living) and the geopolitical uncertainty arising from the war in Ukraine.

- **Corporate Priority Area – Affordable Housing.** The Council has an ambitious plan to address the issue of affordable housing in our borough, particularly for key workers. We have started to address this issue by building affordable rental homes and by setting up a housing company, Knowle Green Estates Ltd.

- During 2022-23 an emerging risk has been the exposure of the Council as a housing authority to potentially having to respond to refugees, particularly Afghans and Ukrainians, who may present in the future as homeless as a result of the evolving Government approach to supporting those cohorts. The Council knows that by the end of August 2023 the Bridging hotel for Afghans in the Borough will close. The Council has put additional resources funded by the Home Office, into supporting the Afghans to help them look for alternative accommodation.

- **Corporate Priority Area – All.** Cost inflation – the Cost-of-Living crisis continues to be felt across all communities that the Council serves – need to identify as key challenge and pressure both for revenue budget and for residential delivery and delivery of new facilities such as Leisure centre.

- **Corporate Priority Area – Supporting our communities.** The Council have approved a Refugee policy and welcomed Afghan families and now Ukrainian families. Under the ARAP scheme Spelthorne have provided support to Afghan Families.

**How we run the Council**

The Council is governed by democratically elected Councillors and managed by professional staff. There is a clear demarcation of roles and numerous systems and processes in place to make sure that things get done properly:

**Constitution**. This document remains a modern and effective document. ( https://democracy.spelthorne.gov.uk/ieListMeetings.aspx?CId=209&Info=1&MD=constitution) This has been reviewed as part of the Council's move to a committee system of governance and will be reviewed again during the course of the next year as amendments need to be made in the light of development of the committee system, recent events and changes in legislation.

**Policy Framework**. We have a number of important policies which are approved by a majority of all Councillors. These are reviewed regularly. The most important policy is the Local Plan. The publication version of the Local Plan is currently undergoing an external independent Examination by the Planning Inspectorate with three weeks of hearings in May and June.

Any further delay to the examination hearings and adoption of the Local Plan runs a number of significant risks including the prosect of additional pressure on our Local Plan to meet the need of other boroughs, a lack of certainty around housing delivery (5-year supply), risk of legal challenge and the prospect of unsuitable development coming forward either on green belt sites or within town centres such as Staines

**Governance Framework**. We adhere to standards jointly published by the Society of Local Authority Chief Executives (SOLACE) and the Chartered Institute of Public Finance and Accountancy (CIPFA). We ensure that these are kept under review.

**Scrutiny of decisions**. During the period to which this Annual Governance Statement covers, the majority of decisions are made by the Committees or delegated to staff, there are structures and processes in place to hold these to account. We have an Audit Committee which has cross party representation to review our risk management arrangements, performance, influence policy and review our decisions. Under the constitution which took effect in 2021-22, we added an independent lay member to the Audit Committee to bring additional experience and expertise to the work of the Committee. Under the new Constitution we have ceased to have an Overview and Scrutiny Committee with the service committees undertaking the scrutiny function including the areas of statutory scrutiny. As a result of our strategic property investment that generates funds to support our regeneration, housing and green initiatives, there continues to be a focus on how these decisions are made and the risks around property management. Under the Constitution agreed in May 2021, a new sub-committee of Policy and Resources was established to deal with certain decisions relating to the delivery of housing, regeneration and assets projects, to enable timely decision making and to ensure appropriate democratic oversight.

**Knowle Green Estates Ltd (KGE)**. As our wholly owned company becomes more important in the delivery of our housing targets, we have ensured that it has independent auditors and that such audits feed into the Council's overall Statement of Accounts. In December 2020 two experienced Non-Executive Directors, following a competitive recruitment process were appointed. During 2022-23 Knowle Green Estates published its first Annual Report. The Knowle Green Estates accounts are independently audited, as well as being reviewed by the Council's external auditors when they audit the Council's consolidated Group Accounts. The Accounts for 2021-22 have been independently audited with a clean audit opinion issued and show a small profit generated by KGE. Work has now started on preparing for the audit of the 2022-23 Accounts.

**Spelthorne Direct Services Ltd (SDS):** During 2020-21 the Council set up to provide new local commercial waste services to businesses in the Borough and to help them more effectively recycle and minimise waste. SDS accounts are independently audited. The Accounts for 2021-22 have been independently audited with a clean audit opinion issued. Work has now started on preparing for the audit of the 2022-23 Accounts.

**How we manage the finances**

Nothing can happen in the Borough unless there is the money there to provide it. We have successfully delivered a programme of financial change. Our previous *Towards a Sustainable Future* programme, delivered the sound basis on which we now proceed.

**Commercial Property Investments.** Thirty percent of the money we need to run the Council and provide services for residents now comes from our investment property investments. It is essential that these investments work for us and that we protect those investments for the long-term. We have a range of measures in hand to ensure that this happens. We have already strengthened our staff resources and implemented changes to our governance systems to ensure that we are proactively and professionally managing this multi hundred million pounds portfolio. We will continue to do this. In response to the challenges of COVID-19 the Council put in place weekly review meetings, involving both senior Councillors and senior officers, to assess performance collecting commercial rent. The Council's portfolio performed very well with more than 99.8% of the commercial rent invoiced for 2021-22 collected, and so far, 99% collected for 2022-23 and most of the balance covered by rent deferral agreements with most of the balance due being expected to be collected. The Council has continued its strategy of mitigating future risk by setting aside a proportion of rental income into sinking funds to ensure that if required the Council has funds to offset short term dips in rental income. At the end of 2022-23 the Sinking Funds Reserves balances had increased to £37m. During 2022-23 the Council approved a new Sinking Funds Reserves strategy and during 2023-24 a will be undertaking a review of its sinking fund methodology and modelling and agree a refreshed strategy for the next fifty years.

During 2022-23 the Department for Levelling Up-Housing and Communities (DLUHC) initiated a review of a number of Councils with relatively high levels of debt. Spelthorne fell into this group due to the nearly £1 billion it borrowed at fixed rates to acquire in the period up to 2018 its investment assets and also due to its need to finance its ambitious housing delivery plans over the next few years. The Council constructively engaged with DLUHC officers during summer/autumn 2022 and explained the Council's approach to mitigating debt on its investment assets through its Sinking Funds reserves. In February 2023 DLUHC Ministers decides to conclude the review by asking the Chartered Institute of Public Finance and Accountancy (CIPFA) to undertake a further review with the authorities within scope. This work was undertaken in February and March 2023 and the Council will learn the conclusions and any recommendations from DLUHC following the May 2023 elections. The Council will positively engage with DLUHC in responding to and addressing any recommendations.

**Capital Strategy.** On 2nd February 2023 an Extraordinary Council meeting considered options for ensuring that the Council's ambitious affordable housing delivery programme remained viable despite the externalities of interest rates available to Councils having doubled and construction inflation running at approximately 20%, and additional the impact of decisions restricting the height and massing of housing schemes reducing their viability. If the Council had not found a way to ensure the schemes remained viable then approximately £9m of abortive capitalised costs would have to been written off to the Revenue Budget requiring cuts to discretionary services. The ECM agreed a new approach which included:

- Seeking to maximise grant funding from Homes England for affordable and key worker homes
- Changing the Thameside and Benwell Phase 2 schemes from affordable housing into private rental schemes to remain under ownership of the Council
- Accelerating the Tothill affordable housing scheme
- Agreeing to a significant capital injection into the Council's housing management company Knowle Green Estates

In February 2023 the Council approved its updated Capital Strategy which is a plain English document explaining Council borrowing and spending, the Strategy reflects the new approach approved by the ECM on 2nd February. It sets out the current priorities which focus on housing and homelessness, regeneration and economic development, and green initiatives and climate change. Affordable housing is a particular issue, and delivery by the private sector is less than 6%. The Council has committed to ensuring that Council schemes deliver at least 50% affordable units. We encourage you to read it http://www.spelthorne.gov.uk/capitalstrategy. We will keep this document up to date so that it always explains what we are doing and how we are doing it.

**Moving forward the Council will be searching out all possible alternatives to debt financing, in order to restrain the amount of future borrowing required. This includes not only Homes England grant funding but also One Public Estate grant funding, use of capital receipts and commutation lump sums and consideration of joint venture options.**

**Systems of internal control.** Apart from the specific overview of the Council's investments and housing schemes, we have established systems and control processes in place to effectively manage risks, ensuring the day-to-day running of the business and the sound management of cash-flow. Managers are responsible and accountable for operating adequate systems of internal control to effectively manage risks within their Services, giving due consideration to fraud, bribery and corruption risks. We have a Chief Finance Officer (CFO), also known as the s151 Officer, who oversees these systems, and they are regularly audited proportionate to the level of risk. Internal Audit findings are raised with management, and recommendations reported to the Audit Committee. There is regular budget monitoring by the Corporate Policy and Resources Committee and these papers are published on our website for you to read. We have a Medium-Term Financial Plan, and we review our finances against this. The CFO is a member of the Council's senior Management Team.

**Budget Process.** The process has been reviewed to consider opportunities for improvement, including continuing to encourage collective ownership on financial management. As part of closing the Outline Budget gaps over the medium term, we may wish to consider exploring a zero-based budgeting approach in future years.

**Communicating effectively**

As an authority we all need to make sure we are listening to all sections of our communities right across the borough and that there is trust and confidence in the way we make decisions. We know that the services we provide are better when we listen to the people who use them and when we work together with local communities.

Our priority is to build strong relationships with residents and businesses and forge links within our communities so everyone feels included. One way we achieve this is through communicating effectively so that the Council's visions, priorities and outcomes are clearly understood and, most importantly, ensuring residents have the opportunity to challenge us, express ideas and shape the decisions which affect them.

Our internal stakeholders are equally important to shaping our priorities and there are a number of opportunities for employees to have their say. We encourage them to have their say on consultations as well as informing and involving colleagues at monthly all staff briefings, listening to issues and concerns via staff surveys and an open-door management style which all help to deliver team collaboration and innovation. This year we also worked in partnership with the Local Government Association in delivering a Councillor Survey, which fed into the Peer Review process and a review of the Committee Model of Governance in which we now operate under.

**Engaging with stakeholders**

The Council has a number of ways it engages and communicates with residents and businesses in the Borough. We are always reviewing the most appropriate ways to communicate, from formal statutory consultations through to the Council's use of social media and digital tools, including a subscriptions service for My Alerts www.spelthorne.gov.uk/my-alerts and a monthly E-newsletter www.spelthorne.gov.uk/enews, which is now powered by Granicus.

Growing our social media audience has been a priority for their team and since March 2020 our followers reach has increased by 74% and is an integral engagement tool to interact with our residents. With the use of an accessibility tool on the website all pages can change language, size or colour dependant on the users need and personal requirements. We purchased new software for the website which monitors accessibility, and this is tracked weekly.

The Council adapted its communications over the past four years to best serve our residents. Our engagement strategy outlines this:

**Informing**

We keep residents updated on the latest Council news and information. This will be through our website, social media, e-news, letters, emails, posters, mailouts and the Borough Bulletin magazine.

**Consulting**

Regular consultations are undertaken by Spelthorne Borough Council relating to a variety of subjects. Between the period of April 2020 and current time we have consulted on 31 issues with residents, ranging from leisure requirements in the Borough, public space protection orders, housing policies and business support. All open consultations can be found on a dedicated web page, www.spelthorne.gov.uk/currentconsultations and these are communicated to residents and stakeholders across our variety of communication channels. We ensure that residents who are not digitally connected also receive news and have an opportunity to respond on Council consultations - whether through direct mailing, noticeboards, local press and our Borough Bulletin magazine.

**Involve**

We will work with communities and partners on various topics in order to improve Council services and find better ways of working. Various workshops and marketplace events are held, either in person or online with stakeholders having the opportunity to share ideas and highlight best practise. For key developments, such as Voter ID, we have gone out to the residents through roadshows and drop-in sessions.

**Collaborate**

We hold Residents Associations forums where residents can discuss their concerns with the Leader of the Council and Council Officers. Strong partnerships continue to be developed in all sectors of our community; businesses, other authorities and health so knowledge, skills and expertise can be shared to help shape priorities and effectively delivery on them.

**Empower and decide**

We promote community empowerment and democracy. Council

meetings are streamed live on You Tube and residents are invited to watch in person in the Council chamber and we also welcome petitions as an important way in which people can let us know their concerns. We have also been able to capture and share many celebrations in the last year, including Civic Awards celebrations and promotional Town ‘shop local’ videos.

Our engagement strategy adopts a holistic approach to ensure that we engage with as many residents as possible, especially from communities that are more difficult to reach. We are committed to continually driving forward community engagement and look for new ways, tools and platforms so that all residents can be heard, not just those who are the easiest to reach, or the most vocal.

**How we are accountable**

The Council is a democratic body and the powers which we exercise are derived from the electors. There are numerous systems in place to allow members of the public to get information, ask questions, challenge the Council and get involved. Ultimately the entire organisation is governed by residents just like you. This gives the Council tremendous strength in deciding what needs to be done in the Borough and how we prioritise scarce resources for best effect. You can consider some of the many ways to get involved:

- Speak to your ward Councillor or the Chair or Vice-Chair of the Committee responsible for the issue
- Complain about services you think are not performing, or equally provide positive feedback when you think we are doing well
- Request information under the Freedom of Information Act and the Environmental Information Regulations.
- Ask questions at the Council
- Present petitions
- Speak at Planning Committee about applications in your neighbourhood
- Join your local residents' association

Almost all of the information you need can be found on our website (www.spelthorne.gov.uk) and we only restrict the publication of a very limited quantity of material where there is good reason, such as the need to respect the data protection rights of individuals or commercial confidentiality.

**How we promote high standards in public office**

The Council is committed to following the Nolan principles of public life which are:

**Selflessness**

Holders of public office should act solely in terms of the public interest.

**Integrity**

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

3 **Objectivity**

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

**4 Accountability**

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

**5 Openness**

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

**6 Honesty**

Holders of public office should be truthful.

**7 Leadership**

Holders of public office should exhibit these principles in their own behaviour and treat others with respect. They should actively promote and robustly support the principles and challenge poor behaviour wherever it occurs.

The Council has a dedicated Standards Committee. This Committee is guided by an Independent Chairman and Vice-Chairman. A Panel of Independent Persons is in place. They are consulted on any complaints against Councillors to say whether they should be investigated.

We have numerous policies and procedures in the Constitution to back up a strong ethical approach to local government. In the year 1 April 2022 to 31 March 2023 there were 11 complaints against Members. This is a reduction from the twenty during the previous year. A number of these are to be considered by the Assessment Hearings Panel to decide what action should be taken. A number have been rejected by the Monitoring Officer as being politically motivated, the Independent Person were approached for comments on these. On 16 March 2022, the Council's Standards Committee approved revised arrangements for dealing with Member complaints. The revised procedure requires the Monitoring Officer to undertake a 2-step assessment to filter out complaints based on specified criteria.

The Council has in place a policy(http://www.spelthorne.gov.uk/article/18641/Gifts-and-hospitality-policy ) on Gifts, Hospitality and Sponsorship which applies to both staff and Councillors. The policy was reviewed in 2019. There are also policies dealing with Counter -Fraud, Bribery and Corruption and Whistleblowing.

During 2022-23 KPMG the Council's external auditors concluded their work on their 2017-18 Value for Money opinion and concluded that they should issue a Public Interest Report (PIR) with respect to the Council's past acquisition of investment assets- (Public Pack)Agenda Document for Council, 08/12/2022 18:00 (spelthorne.gov.uk). The PIR was published on the 30th November and an Extraordinary Council meet on the 8th December to consider and agree a response to the five recommendations. The recommendations and the Council's response is summarised below:

**Recommendation 1**: The Council should obtain legal advice on its powers to enter into specific transactions where those transactions are unusual or high value. The Council has an experienced in-house Legal Team that provides appropriate legal advice on its powers to enter into specific transactions. Where those transactions are unusual or of high value, external Legal advice is obtained from experienced counsel and such an approach will continue for any such future transactions. The in-house Legal Team is Lexcel accredited which means that it has been assessed as having appropriate risk management procedures in place. The Monitoring Officer is the lead officer for this recommendation and will keep the applicability of this approach under review.

**Recommendation 2**: Officer reports should clearly identify the legal powers relied on in relation to decisions or transactions and ensure that decision makers are aware of the relevant legal test to lawfully exercise those powers. All committee reports going to Councillors for decisions are submitted to the Legal Team prior to publication. The committee report template includes a section on Legal Implications which is completed by the Monitoring Officer or another senior member of the Legal team to clearly set out the legal powers underpinning decisions and set out any other legal implications relating to the report. As per the recommendation external legal advice will continue to be sought where appropriate.

**Recommendation 3:** The Council should ensure that it has regard to all relevant statutory guidance, including specific aspects of that guidance that apply to particular decisions or transactions, and specifically record its reasons for departing from such guidance if it decides to do so. The Council has always had regard to all relevant statutory guidance seeking relevant expert advice and will continue to do so. It will in future more clearly record reasons for departure, if there are proposals that depart from prevailing guidance (which we are not anticipating). Note moving forward the Council's Capital Programme and Capital Strategy is focused on ensuring that all capital spend is consistent with the revised terms of the Public Works Loans Board and the CIPFA Prudential and Treasury Management Codes. The Chief Financial Officer and the Chief Accountant will review financial reports going to Councillors to ensure that they reference professional and statutory guidance and to highlight where Councillors are being asked to consider departing from the guidance, however the Council intends to comply with the Prudential and Treasury Management Codes.

**Recommendation 4**: The Council should develop its investment property portfolio modelling to bring these in line with the expected practice of an institutional investor. This should include robust stress testing and sensitivity analysis which incorporates scenarios that cover the highest level of risk for expenditure, revenue, tenant behaviour and external socio-economic factors. Consideration should also be given to the diversification of the portfolio and whether this should be addressed over medium to longer term. The Council, consistent with the statutory guidance, is not looking to acquire any further debt for yield assets, which limits its ability to diversify its existing investments assets portfolio. However, it will keep under existing review the purpose for which assets are held, and when redevelopment/investment requirements for particular assets are identified it will undertake options analysis which will include consideration of disposal as one option. The Council's overall property portfolio will be diversified by value as additional residential schemes, service (such as our new Leisure Centre) and community assets are completed in the coming years. Where opportunities arise, such as when assets become vacant, options analyses will be undertaken to look at any alternative uses for those sites. In the case of residential assets, they will be underpinned by residential rental income. The Council has recently agreed a Sinking Funds Policy and set parameters under which a short (1 to 5 years) medium (5 to 20 years) and long term (20 years plus) refresh of the existing sinking funding modelling will be undertaken with aim of completing by end of 2023-24, as agreed by Corporate Policy and Resources Committee – we will within that timeframe seek to complete on a timely basis. Officers will look at opportunities to bring in external expertise. The refreshed modelling will focus on modelling a range of different parameter assumptions.

The Council, since the PIR was published, has published a full detailed Revenue Budget for 2023-24 and to aid Councillors understanding has provided members of the Corporate Policy and Resources Committee with a detailed Budget of the "below the line" investment income budget lines in the Summary Budget. This is designed to assist transparency and scrutiny moving forwards.

The Council will continue to periodically commission reviews from external advisers of its investment assets portfolio, for example using Experian data.

**Recommendation 5:** The Council should develop an action plan as part of the management of its investment portfolio which addresses each of the weaknesses identified in paragraph 6.9 of the PIR document. This should be linked to a portfolio risk register, which monitors each of the Key Performance Indicators (KPIs), tenant performance and risk to the debt repayment strategy for each investment property asset. The text in paragraph 6.9 of the PIR is focused on elements of governance arrangements to be in place prior to making investment acquisitions. Whilst the Council ceased making acquisitions in 2018, some aspects of ongoing management of the portfolio are nevertheless relevant. Moving forwards, we will continue to refresh the Council's Capital Strategy to keep updated our strategic approach to managing the investment portfolio. We will also look to refresh the Asset Management Plan. The work to be undertaken in 2023-24 on the Sinking Funds Review will be particularly relevant. We will continue to refresh and keep under review the annual five yearly business plans for individual investment assets.

The Council continues to be very open to taking on board best practice from external sources, we have previously had positive discussions with the likes of the Local Government Association, National Audit Office, CIPFA and MHCLG. Finance will work with the new Group Head for Assets who took up post on 14th March 2023, to develop an Action Plan, to build on what the Council is already doing (including periodic reviews of financial health of tenants, annual review by Councillor members of Development Sub-Committee of individual asset business plans (which includes risk analysis) for individual investment assets, Asset Management Plan (which includes KPIs), production of Annual Investment and Regeneration Assets Report etc) which addresses the points raise in 6.9 of the Auditors report, including developing a portfolio risk register ( assets risks already feature on the Council's overall Corporate Risk Register) developing a portfolio risk register is a fair point and as discussed earlier the corporate service planning process should also continue to serve as an active prompt for Managers to identify and consider key/critical risks that may impact the effective delivery of their services, which should allow for greater embedding and integration of risk management over time. In addition, a corporate risk model/matrix was launched in 2021 as part of the revised RM Policy and risk management training delivered (to Managers).

Given that the Council is not acquiring any more investment assets and indeed under the latest regulations it would not be allowed to do so, it is difficult to further diversify the portfolio through new acquisitions. It should be noted that whilst the investment assets portfolio is concentrated within the Borough and the surrounding, Heathrow economic functional area, as the Council report in response to the PIR highlighted, we do have diversification across tenants in a broad range of sectors. However, when opportunities arise, such as investment premises becoming empty, we will undertake analyses to look at options, including disposal or utilisation in alternative use. This process is currently underway with one of the smallest assets in the portfolio. With the completion of more housing and regeneration schemes the Council's overall property portfolio will become more diversified.

The Council already produces and reports on KPIs relating to its assets in its Asset Management Plan and an Annual Report on Investment and Regeneration Assets. It will review these assets' KPIs to ensure they continue to be appropriate and if necessary, we will expand and refine those KPIs. We will review the current KPIs against the KPIs suggested in paragraph 6.7 of the PIR. The Council in its detailed Revenue Budget has improved the transparency of the breakdown of the budgets for investment assets.

Action: Assets and Finance to produce an Action Plan to come to Councillors (both on Development Sub-Committee and Audit Committee) by July 2023.

**How we learn and improve**

The Financial Peer review (https://www.spelthorne.gov.uk/peerreview ) was undertaken in 2020/21. There are recommendations within the report which we are actively taking forward with regular progress reports being made to Audit Committee

The Council has an ongoing Continuous Improvement Programme (CIP) where the CIP teamwork with services to identify improvements and efficiencies in processes, systems and working practices, for example makes improvements to make it easier for people to pay the Council online.  This has resulted in efficiency savings both in terms of time and money.

**Internal audit**

The Council has an internal audit team which provides independent assurance to management and the Audit Committee on the adequacy of Council Services, and systems of internal control to reduce risk.  This team has an annual internal audit plan which is discussed and agreed each year by the Audit Committee.  The internal team operates to the Public Sector Internal Audit Standards.  The effectiveness of internal audit is reviewed annually, and an external quality assessment undertaken once every five years, with the next external review being undertaken in 2023.

The internal audit team works closely with the Council's external auditors.

Every year, the Internal Audit Manager issues an independent opinion in an annual report concluding on the overall adequacy and effectiveness of the Council's framework of governance, risk management and internal control. This comments on the risks facing the Council and the adequacy of the Council's arrangements to manage those risks. It represents one of the key assurance statements the Council receives.

The Internal Audit Manager has reported on nine assurance reviews relating to the 2022/23 audit plan, of which five were assessed as 'reasonable assurance' provision' and four were identified as ''limited assurance'. Audit recommendations carry a priority rating (low/medium/high) and these will be followed up to confirm implementation status. Three further assurance assignments currently underway (overall assurance opinions not yet concluded) will be reported in the annual audit report for 2022/23 presented to Audit Committee, and any key matters arising so far have been considered for the annual audit opinion.

Other relevant sources of assurance such as audit advisory work including position statements issued, the Council's Corporate Risk Register and risk exposure to Wider Externalities have been reviewed for the purpose of producing the overall audit opinion.

**Annual Internal Audit Opinion 2022/23**

Relevant considerations in undertaking assurance work and producing the annual audit opinion are set out at point 1 below:

(1) Exposure to high impact interlocking risks highlights the ongoing uncertainty and volatility being faced across all sectors of the economy. The significance of wider externalities has continued to exacerbate many of the Council's strategic risks and challenges in delivery of corporate priorities and objectives.

The opinion of the Internal Audit Manager concludes on the overall adequacy and effectiveness of the Council's framework of governance, risk management and internal control. On balance **reasonable assurance** can be provided across these areas. The Council has many established systems of internal control that are sufficiently designed to effectively manage risks. However, improvements were recommended to address the operation of the control environment where control weaknesses were identified. This included some issues and areas of non-compliance, mostly representing medium priority risks. Scope for improvements to both the design and operation of internal controls in delivering objectives have been raised or recommended in some areas.

Internal Audit have consulted managers (corporate management team, Group Heads and managers) to discuss improvement actions to address risks and enhance the robustness of systems of internal control and governance arrangements. Where actions have been taken to address issues arising from audit work performed, this is acknowledged.

| | |
|---|---|
| **Reasonable Assurance** | There are generally sound systems of governance, risk management and control in place across the organisation. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of some of the strategic and operational objectives. |

Punita Talwar

Internal Audit Manager (Chief Audit Executive, Spelthorne Borough Council)

Chartered Internal Auditor (CMIIA)

May 2023

The internal audit team has carried out a number of audits in accordance with the agreed annual plan. Full details of these recommendations, as well as any key themes and issues arising from Internal Audits work for 2022/23 are to be found on the Audit Committee pages of the Council's website.

Internal audit resource has been partially focussed on the evolving risks presented by the challenging economic and geo-political climate and recognising their wide-reaching impact for the Council, audit support and advice, as well as wider risk and assurance workstreams.

**Corporate Risk Management**

The Council maintains a Corporate Risk Register, which is coordinated by the Internal Audit Manager and reported regularly to Management Team, Audit Committee and Corporate Policy and Resources Committee. The Corporate Risk Register identifies and evaluates the key corporate risks facing the Council, the controls and mitigating measures in place, and tracks outstanding issues to further address risk management. The register continues to focus on a smaller number of corporate (strategic) risks relating to effective delivery of the Corporate Plan Priorities/Objectives. It also aligns to methodology set out in the Corporate Risk Management Policy. The subsidiary companies have also produced risk registers and for consistency their format aligns closely with the Council's Corporate Risk Register. As part of ongoing development work on risk management, the Corporate Risk Register is also reported to the Corporate Policy and Resources Committee to promote collective ownership and accountability of the Council's most significant risks and issues. Mechanisms for cascading high level risk management information through to respective service committees has also been implemented. Progress has been made in exploring the development of a risk appetite framework for the Council as it is recognised that this supports more transparent and informed risk-based decisions, good governance and modern best practice. A plan for soft implementation of a risk appetite framework has been established and pursued during 2022/23, with integration into the service planning process having been insightful in ascertaining service level risk appetites across the Council.

As part of the strategy of embedding risk management into all aspects of the Council's decision making, the Council's report template for Committees now includes a section on risks.

**External audit**

KMPG as reported above KPMG concluded their work on the 2017/18 Value for Money Opinion which resulted them in published a Public Interest Report (PIR), The PIR was reported to an considered by a meeting of Council on 7th December 2022. An action plan addressing the PI will come to the July 2023 Audit Committee.

Following on from the PIR KPMG reported to the March 20223 Audit Committee that they were now issuing an unqualified opinion on the Statement of Accounts for 2017/18. This means that the incoming auditors can now commence a process of catching up on the outstanding audits for the subsequent years.

**Audit Committee**

Terms of reference are set out in Constitution. There are regular meetings and work plan is published. Under the new Constitution there will continue to be an Audit Committee which now has an independent lay member, to add an additional external perspective and bring additional expertise to the Committee.

**How we learn from complaints and feedback**

The Council is always keen to hear from residents and staff about how it can deliver better services to residents. We also have feedback questionnaires for some services. We have a number of procedures in place:

- Our Complaints procedure is working well. However, we are always looking at ways to improve it.
- We have a staff whistleblowing procedure in place, this is highlighted as part of the staff induction process.

**FOI/GDPR**

Our long-term project to ensure compliance with the General Data Protection Regulations and improve the Council's information governance arrangements continues. This project has already delivered, and will continue to deliver, significant improvements in the Council's information governance arrangements.

The Group Head of Commissioning and Transformation is the Council's Senior Information Risk Owner who has responsibility for managing information risk across the Council.

The Council's full time Data Protection Officer is responsible for overseeing data protection strategy and implementation.

The Council has clear processes for managing Freedom of Information Act, Environmental Information Regulations, and Data Protection Act requests. The aim of the process is to promote transparency across the organisation and deliver an efficient approach to handling requests.

Staff continue to ensure compliance with the Freedom of Information Act / Environmental Information Regulations, Data Protection Act, and Privacy and Electronic Communication Regulations. An audit of General Data Protection Regulations (GDPR) has been undertaken.

Monitoring includes reports to Management Team, internal and external audits and Information Commissioner reviews as appropriate.

Covid-19 has brought unprecedented challenges due to the need to share information quickly and adapt the way the Council's essential services work. Data protection staff are assisting colleagues to ensure that the Council only collects as much personal data as is strictly necessary for the relevant purposes and to continue to comply with Data Protection legislation.

**How we will deal with significant governance issues**

1. Action taken in the year to address governance issues raised in the previous AGS relating to 2020/21

Completed with periodical reporting having been undertaken. Completed –

Refreshed Economic Prosperity strategy approved. Action completed with reporting structures widened to include Corporate Policy & Resources Committee (CPRC).

Action progressed in view of the Local Government Association (LGA) Corporate Peer review having been undertaken in November 2022 and reported in February 2023. The authority has produced an action plan to take these recommendations forward, and a follow up review is planned by the LGA for summer 2023 to assess implementation progress and support continued improvement

2.**Review of significant governance issues arising during 2022/23 and how we are addressing them:**

| **Issues Identified/Risk Implications**<br>**Relates to 2022/23 Period** | **Action and status** |
|---|---|
| **1.Wider Externalities**<br><br>The ongoing significance of wider externalities such as the macro-economic environment (elevated inflation, accelerated interest rates and cost of borrowing), and geopolitical uncertainty from the Ukraine war has continued to exacerbate the Council's financial challenges in delivering corporate priorities, coinciding | ***Management Action***<br><br>*(i) The broad risk categories most significantly impacted by these externalities include the Council's economic prosperity, financial sustainability, and supporting local communities and refugees in the provision of housing need.* |

| | |
|---|---|
| with rising service pressures in supporting communities during a Cost-of-Living crisis. Inevitably, the Council cannot exert control or influence over the direction of these evolving wider externalities and therefore the extent to which it can reduce, control or mitigate such risks remains limited. | *(ii)The local mitigation measures and prioritised actions to alleviate the identified risks have been drawn out in the Wider Externalities risk assessment and summary report (reported to the Audit Committee throughout 2022/23). Going forward such analysis will continue to be incorporated into the Strategic (Corporate) Risk Register.* |
| **2.Financial Risk**<br><br>Financial risk remains a strategic theme carrying high impact across several risk categories on the Council's Corporate (strategic) risk register. Ongoing financial challenges and pressures continue to have a significant impact on the Council's budgetary position and financial sustainability in delivering corporate priorities and services. | ***Management Action***<br><br>*Please refer to the Council's Corporate Risk Register and Risk Action Plan for a range of high-level actions underway in alleviating the ongoing financial challenges. This includes progressing the medium-term financial strategy and efficiency savings plan in addressing anticipated budget deficits for 2023/4 to 2026/27.* |
| **3.Commercial Assets**<br><br>The post-pandemic landscape, turbulent economic environment and geopolitical situation have presented contributory factors leading to tenancy departures and void periods, with increased void rates during 2022/23 across the Council's commercial investment portfolio.<br><br>It is acknowledged that sinking fund reserves support the Council's risk management strategy and may be drawn upon to mitigate and reduce the impact of any break clause occurrence in managing void periods and income shortfalls.<br><br>In continuing to fund Council services, robust tenancy management remains key in securing and maximising these vital revenue streams. | ***Management Action***<br><br>*The Council's ongoing management of rental voids and securing new tenants remains pivotal with proposals having been put forward to a prior CPRC in addressing the largest single void with a view to reducing the vacancy rate (previously anticipated rate of approx. 10% by end of June 2023).*<br><br>*The Risk Action Plan in the Corporate Risk Register refers to producing a strategy for the longer-term relationship management of existing tenants occupying commercial properties with a view to reducing associated risks of tenant departures.*<br><br>*Establishing and developing an overarching and cohesive tenancy management strategy for the commercial investment portfolio that incorporates relevant components.*<br><br>*Wider risk mitigation measures continue for the Council's investment portfolio including plans to extend sinking fund modelling and developing an action plan (in progress) in addressing the Public Interest Report (PIR) recommendations with a view to driving improved risk management and performance management, to be presented to July Audit Committee and a future Development Sub Committee.* |
| **4.Recruitment and Retention**<br><br>In the context of a challenging and competitive labour market, unsuccessful recruitment and ongoing unfilled vacancies remains an issue for the authority, leading to reduced level of technical skills and relevant expertise operating across some Services. Staff shortages further exacerbate workload pressures across teams and may lead to increased staff fatigue, burnout and sickness levels arising. | ***Management Action***<br><br>*Refer to the Corporate Risk Register and related risk action plan.*<br><br>*Corporate Establishment Review underway (2023).* |

**Conclusion**

As we deal with the challenges of the next few years in light of the long-term impact of Covid-19 and then the Cost-of-Living Crisis and wider externalities on our economy, health & safety and well-being, you can be assured that we are doing so from a solid foundation with proper systems of internal control.

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| ...................................................... | ....................................................... |
| Cllr Joanne Sexton | Daniel Charles Mouawad |
| Leader of the Council | Chief Executive |

## Comprehensive Income and Expenditure Statement – CI&ES

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount funded from taxation. The Council raises taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis (page 41) and the Movement in Reserves Statement above.

| 2021/22 | | | CI&ES | | 2022/23 | | |
|---|---|---|---|---|---|---|---|
| Expenditure | Income | Total | | | Expenditure | Income | Total |
| £'000 | £'000 | £'000 | | Notes | £'000 | £'000 | £'000 |
| 32,673 | (26,242) | 6,431 | Community Wellbeing & Housing | | 31,839 | (26,488) | 5,351 |
| 8,846 | (2,816) | 6,030 | Corporate Policy and Resources | | 7,546 | (4,069) | 3,477 |
| 534 | (789) | (255) | Economic Development | | 576 | (656) | (80) |
| 6,713 | (1,749) | 4,964 | Environment & Sustainability | | 2,071 | (620) | 1,451 |
| 6,433 | (2,130) | 4,303 | Neighbourhood Services | | 10,353 | (3,910) | 6,443 |
| 4,775 | (563) | 4,212 | Regulatory Administrative Comm | | 9,355 | (1,857) | 7,498 |
| 59,974 | (34,289) | 25,685 | Cost of Services | | 61,740 | (37,600) | 24,140 |
| 26,881 | (28,012) | (1,131) | Other Operating Income & Expenditure | | 0 | (985) | (985) |
| 51,421 | (55,091) | (3,670) | Financing & Investment Income & Expenditure | 9 | 190,863 | (56,573) | 134,290 |
| 26,930 | (48,298) | (21,368) | Taxation & Non-specific Grant Income | 10 | 21,991 | (36,055) | (14,064) |
| 165,206 | (165,690) | (484) | (Surplus)/Deficit on the Provision of Services | | 274,594 | (131,213) | 143,381 |
| | | (4,978) | (Surplus)/Deficit on revaluation of Property, Plant & Equipment | 21 | | | (502) |
| | | 2 | Impairment Losses on non-current assets charged to the Revaluation Reserve | | | | 0 |
| | | (1,705) | (Surplus)/Deficit from investments in equity instruments designated at fair value through other comprehensive income | 21 | | | 2,169 |
| | | (15,671) | Remeasurement of the the defined net defined benefit liability/(asset) | 21 | | | (36,552) |
| | | (22,352) | Other Comprehensive Income & Expenditure | | | | (34,885) |
| | | **(22,836)** | Total Comprehensive Income & Expenditure | | | | **108,496** |

# Movement in Reserves Statement

This statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into 'usable reserves' (i.e., those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves.' The Statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to Council tax for the year. The (increase)/decrease line shows the statutory General Fund Balance movements in the year following those adjustments. The 21/22 figures are shown for comparison.

| Movement in Reserves Statement | General Reserves | Capital Receipts Reserves | Capital Grants Unapplied | Total Usable Reserves | Total Unusable Reserves | Total Reserves |
|---|---|---|---|---|---|---|
| 2022/23 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Balance brought forward 1st April | (65,376) | (468) | (1,995) | (67,839) | 88,557 | 20,718 |
| Movements in-year | | | | | | |
| Total Comprehensive Income & Expenditure | 143,381 | | | 143,381 | (34,885) | 108,496 |
| Adjustments between accounting & funding basis under regulations (note 7) | (149,258) | (665) | 218 | (149,705) | 149,705 | 0 |
| (Increase)/Decrease in-year | (5,877) | (665) | 218 | (6,324) | 114,820 | 108,496 |
| Balance carried forward 31st March | (71,253) | (1,133) | (1,777) | (74,163) | 203,377 | 129,214 |

| Movement in Reserves Statement | General Reserves | Capital Receipts Reserves | Capital Grants Unapplied | Total Usable Reserves | Total Unusable Reserves | Total Reserves |
|---|---|---|---|---|---|---|
| 2021/22 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Balance brought forward 1st April | (61,716) | 0 | (2,822) | (64,538) | 108,093 | 43,555 |
| Movements in-year | | | | | | |
| Total Comprehensive Income & Expenditure | (485) | | | (485) | (22,352) | (22,837) |
| Adjustments between accounting & funding basis under regulations (note 7) | (3,175) | (468) | 827 | (2,816) | 2,816 | 0 |
| (Increase)/Decrease in-year | (3,660) | (468) | 827 | (3,301) | (19,536) | (22,837) |
| Balance carried forward 31st March | (65,376) | (468) | (1,995) | (67,839) | 88,557 | 20,718 |

## Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e., reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example, the Capital Receipts Reserve may only be used to fund capital expenditure or to repay debt). The second category of reserves is those that the Council cannot use to fund services. This category of reserves includes reserves that hold unrealised gains and losses, (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line ‘Adjustments between accounting basis and funding basis under regulations.

| 31 Mar 22 | Balance Sheet | | 31 Mar 23 |
|---|---|---|---|
| *£'000* | | *Notes* | *£'000* |
| 129,711 | Property, Plant & Equipment | 11 | 148,272 |
| 215 | Heritage Assets | 12 | 209 |
| 916,375 | Investment Property | 13 | 756,206 |
| 337 | Intangible Assets | 14 | 365 |
| 35,870 | Long-term Investments | | 33,770 |
| 31,486 | Long-term Receivables | | 31,474 |
| **1,113,994** | **Long-term Assets** | | **970,296** |
| 40,477 | Short-term Investments | | 15,291 |
| 0 | Assets held for Sale | | 0 |
| 25 | Inventories | | 28 |
| 21,258 | Short-term Receivables | 16 | 7,636 |
| 52,953 | Cash & Cash Equivalents | 17 | 43,890 |
| **114,713** | **Current Assets** | | **66,845** |
| (44,678) | Short-term Borrowing | | (30,238) |
| (77,490) | Short-term Payables | 19 | (50,316) |
| (1,353) | Short-term Provisions | 20 | (1,364) |
| **(123,521)** | **Current Liabilities** | | **(81,918)** |
| (1,077,472) | Long-term Borrowing | | (1,068,754) |
| (48,432) | Other Long-term Liabilities | | (15,682) |
| 0 | Long-term Grants received-in-advance - Capital | | |
| **(1,125,904)** | **Long-term Liabilities** | | **(1,084,436)** |
| **(20,718)** | **Net Assets/(Net Liabilities)** | | **(129,213)** |
| (67,839) | Usable Reserves | MiRS | (74,566) |
| 88,557 | Unusable Reserves | 21 | 203,779 |
| **20,718** | **Total Reserves** | | **129,213** |

I confirm that the unaudited Statement of Accounts presents a true and fair view of the financial position of the Council at 31 March 2023 and the Council’s income and expenditure for the year 2022/23.

T C Collier (signed)
Mr T Collier, CPFA, CA.
Section 151 Officer, Chief Finance Officer, Deputy Chief Executive
Spelthorne Borough Council
31 May 2023

## Cash Flow Statement

The Statement of Cash Flows shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital, i.e., borrowing to the Council.

| 2021/22 £'000 | Cash Flow | Notes | 2022/23 £'000 |
|---|---|---|---|
| (484) | Net (Surplus)/Deficit on the Provision of Services | CI&ES | 143,382 |
| (73,140) | Adjustments to net (surplus)/deficit on the Provision of Services for non-cash movements | 22 | 4,067 |
| 2,884 | Adjustments to net (surplus)/deficit on the Provision of Services that are Investing and Financing Activities | 22 | 1,996 |
| (70,740) | Net Cash Flow from Operating Activities | | 149,445 |
| 5,020 | Investing Activities | 23 | (5,075) |
| 22,571 | Financing Activities | 24 | 23,396 |
| (43,149) | Net (increase)/decrease in Cash & Cash Equivalents | | 167,766 |
| | | | |
| 11,584 | Cash & Cash Equivalents at the beginning of the reporting period | | 52,953 |
| 43,149 | Net increase/(decrease) in Cash & Cash Equivalents | | (167,766) |
| 52,953 | Cash & Cash Equivalents at the end of the reporting period | 17 | (114,813) |

# Accounting Policies

## 1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the financial year and its position at the year-end and comply with the Code of Practice on Local Authority Accounting (The Code), issued by the Chartered Institute of Public Finance & Accountancy (CIPFA). Accounting policies and estimation techniques have been selected and used having regard to the accounting principles and concepts set out in International Financial Reporting Standards Framework for the Preparation of Financial Statements, specifically:

- The qualitative characteristics of financial information
- Relevance
- Reliability
- Comparability
- Understand ability.
- Materiality
- Accruals
- Going concern

Where there is specific legislation, this will have primacy over any other provision. The accounts have been prepared under the historical cost convention modified by the revaluation of certain categories of non-current assets.

## 1.2 Accruals of Income and Expenditure

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

1.2.1 Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser, and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

1.2.2 Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

1.2.3 Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.

1.2.4 Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

1.2.5 Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure based on the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

1.2.6 Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### 1.3 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in a specified period, no more or less from the date of the balance sheet and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

### 1.4 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance.

Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

### 1.5 Charges to Revenue for Non-current Assets

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

1.5.1 depreciation attributable to the assets used by the relevant service

1.5.2 revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off

1.5.3 amortisation of intangible assets attributable to the service.

1.5.4 for Finance Leases, Minimum Revenue Provision (MRP) is equal to the write down of the liability

The Council is not required to raise Council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to either an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance (England and Wales).

Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance Minimum Revenue Provision (MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

### 1.6 Council Tax and Non-Domestic Rates (England)

Billing authorities act as agents, collecting Council Tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting Council Tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e., the Collection Fund) for the collection and distribution of amounts due in respect of Council Tax and NDR.

Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

#### 1.6.1 Accounting for Council Tax and NDR

The Council Tax and NDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of accrued income for the year. However, regulations determine the amount of Council tax and NDR that must be included in the Council's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

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

### 1.7 Employee Benefits

### 1.7.1 Benefits Payable during Employment

Short-term employee benefits are those due to be settled wholly 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 for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

An accrual is made for the cost of holiday entitlements (or any form of leave, e.g., time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

#### 1.7.2 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 appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the 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.

#### 1.7.3 Post-employment Benefits

Employees of the Council are members of the Local Government Pensions 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 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 constructed using the constituents of the iBOXxx AA corporate bond index.

The assets of Surrey Pension Fund attributable to the Council are included in the Balance Sheet at their fair value: quoted securities – current bid price

- 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:

**1.7.3.1 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 as a result of a scheme amendment or curtailment 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.
- net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) 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 (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

**1.7.3.2 Re-measurements comprising:**

- The return on pension plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – 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 – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

- 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 transfers 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 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.

#### 1.7.4 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.

### 1.8 Events After the Reporting Period

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

1.8.1 those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events

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

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

### 1.9 Financial Instruments

#### 1.9.1 Financial Liabilities

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

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

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council 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 Comprehensive Income and Expenditure Statement 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.

### 1.9.2 Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics.

There are three main classes of financial assets measured at:

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

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

### 1.9.3 Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value.

They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement. However, the Council has made a number of loans to voluntary organisations at less than market rates (soft loans).

When soft loans are made, a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet.

Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement. Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

### 1.9.4 Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost. The expected credit loss model also applies to lease receivables and contract assets.

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

The Council indirectly gives a number of loans to local businesses, and particularly through Funding Circle. Since these loans are indirect, the Council does not have reasonable and supportable information that is available to support the measurement of lifetime expected losses on an individual instrument basis. It has therefore assessed losses for the portfolio on a collective basis.

### 1.9.5 Financial Assets Measured at Fair Value through Profit of Loss (FVPL)

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

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

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

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

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

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. [Additional policy detail required where a Council decides to designate investments in equity instruments to FVOCI]

## 1.10 Government Grants and Contributions

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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

The COVID-19 pandemic  introduced another layer of complexity, requiring that all Councils assess each grant paid to them by Business Energy & Industrial Strategy (BEIS), as either principal or agent transactions. Where the Council deems that they are operating as principal, the transactions shall be included in its Comprehensive Income & Expenditure Statement (CIES) in accordance with the code. Where the Council is acting as an agent, transactions will not be reflected in the Council's statement of accounts.

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

### 1.10.1 Community Infrastructure Levy

The Council has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the Council) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a small proportion of the charges for this Council may be used to fund revenue expenditure.

## 1.11 Heritage Assets

### 1.11.1 Heritage Assets – General

Heritage assets are defined as assets which have historical, artistic, scientific, technological, geographical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture.

Heritage Assets include historical buildings, historic motor vehicles, civic regalia, museum and gallery collections and works of art.

**Recognition and Measurement:** Where the Council has information on the cost or value of a Heritage Asset the Council will include that value in its 2022/23 Balance Sheet. Where this information is not available, and the historical cost information cannot be obtained the asset can be excluded from the balance sheet. A de-minimis level will be set in accordance with our policy for Capitalisation of assets currently set at £10,000.

Heritage assets will normally be measured at fair value. Where, exceptionally, it is not practicable to obtain a fair value, heritage assets shall be measured at historical cost (less any accumulated depreciation, amortisation and impairment losses).

Valuations may be made by any method that is appropriate and relevant. There is no requirement for valuations to be carried out or verified by external valuers, nor is there any prescribed minimum period between valuations. However, where heritage assets are measured at fair value, the carrying amount shall be reviewed with sufficient frequency to ensure the valuations remain current.

Depreciation, Amortisation and Impairment: Depreciation or amortisation is not required on heritage assets which have indefinite lives. The carrying amount of an asset shall be reviewed where there is evidence of impairment, for example, where it has suffered physical deterioration or breakage, or new doubts arise as to its authenticity. Any impairment recognised shall be dealt with under the recognition and measurement requirements of section 4.7 of the Code.

### 1.12 Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council because of past events (e.g., software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s).

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the 'Movement in Reserves Statement' and posted to the Capital Adjustment Account and (for any sales proceeds greater than £10,000) the Capital Receipts Reserve.

### 1.13 Interests in Companies and Other Entities

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures and require it to prepare group accounts. In the Council's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

### 1.14 Inventories and Long-term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the [FIFO/weighted average] costing formula.

Long-term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

### 1.15 Investment Property

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

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

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

### 1.16 Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Council in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Council as a joint operator recognises:

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

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

#### 1.17.1 The Council as Lessee

#### 1.17.1.1 Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into 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 and 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 Council at the end of the lease period).

The Council is not required to raise Council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual 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.

#### 1.17.1.2 Operating Leases

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

## 1.18 Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance.

## 1.19 Property, Plant and Equipment

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

### 1.19.1 Recognition

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

### 1.19.2 Measurement

Assets are initially measured at cost, comprising:

- the purchase price of any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Council does capitalise borrowing costs incurred whilst assets are under construction.

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

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

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

- infrastructure, community assets and assets under construction – depreciated historical cost
- dwellings – current value, determined using the basis of existing use value for social housing (EUV–SH)
- Council offices – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV), except for a few offices that are situated close to the Council's housing properties, where there is no market for office accommodation, and that are measured at depreciated replacement cost (instant build) as an estimate of current value
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

**1.19.3 Impairment**

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

Where impairment losses are identified, they are accounted for by:

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

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

**1.19.4 Depreciation**

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

Deprecation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer.
- vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- infrastructure – straight-line allocation over 25 years.

Where an item of property, plant and equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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.

**1.19.5 Disposals and Non-current Assets Held for Sale**

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

The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on assets held for sale.

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

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e., netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of capital receipts relating to housing disposals is payable to the government [England only]. The balance of receipts remains within the Capital Receipts Reserve and can then only be used for new capital investment [or set aside to reduce the Council's underlying need to borrow (the capital financing requirement) (England and Wales)]. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing.

Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

## 1.20 Provisions, Contingent Liabilities and Contingent Assets

### 1.20.1 Provisions

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

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

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

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

#### 1.20.2 Contingent Liabilities

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

#### 1.20.3 Contingent Assets

A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

### 1.21 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund Balance so that there is no net charge against Council tax for the expenditure.

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

### 1.22 Revenue Expenditure Funded from Capital under Statute

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

### 1.23 VAT

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.

### 1.24 Fair Value Measurement

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

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

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

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

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

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

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date
- 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.

### 1.25 Council Tax, Non-Domestic Rates and Business Improvement District levy

The Council acts as agent for the collection of Council Tax and Business Rates (NDR) on behalf of the major preceptors, including central government. The Council is required by statute to maintain a separate fund (i.e., the Collection Fund) for the collection and distribution of amounts due in respect of Council tax and NDR. Under these legislative arrangements, the Council, major preceptors and central government share proportionately the risks and rewards of the sharing arrangements.

The Council tax and NDR income included in the CI&ES represents the Council's share of accrued income for the year. Regulations determine the amount of Council tax and NDR that must be included in the Council's General Fund. The difference between the accrued income and the regulatory amount is included in the Collection Fund Adjustment Account; a reconciling item being included in the Movement in Reserves Statement.

The Council's balance sheet includes the Council's share of the end of year balances for Council tax and NDR relating to arrears, impairment allowances for doubtful debts, NDR appeals and overpayments and prepayments.

The Council also collects Business Improvement District (BID) levy on behalf of the Staines-upon-Thames BID.

## 1.26. Interests in Companies and Other Entities

The Council has a material interest in the wholly owned companies Knowle Green Estates Limited and Spelthorne Direct Services. Group accounts have been produced. The Council's accounts record transactions at cost.

# Notes to the Core Financial Statements

## Statement of Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to Council tax (and rent) payers how the funding available to the Council (i.e., government grants, rents, Council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by Councils in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's directorates (services or departments). Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement

| 2021/22 | | | | 2022/23 | | |
|---|---|---|---|---|---|---|
| Net Expenditure chargeable to the General Fund | Adjustments between the Funding and Analysis Basis | Net Expenditure in the Compre-hensive Income and Expenditure Statement | | Net Expenditure chargeable to the General Fund | Adjustments between the Funding and Analysis Basis | Net Expenditure in the Compre-hensive Income and Expenditure Statement |
| *£'000* | *£'000* | *£'000* | | *£'000* | *£'000* | *£'000* |
| 3,207 | 3,224 | 6,431 | Community Wellbeing & Housing | 2,613 | 2,738 | 5,351 |
| 5,795 | 235 | 6,030 | Corporate Policy and Resources | 2,949 | 528 | 3,477 |
| (311) | 56 | (255) | Economic Development | (114) | 34 | (80) |
| 3,854 | 1,110 | 4,964 | Environment & Sustainability | 1,248 | 203 | 1,451 |
| 3,025 | 1,278 | 4,303 | Neighbourhood Services | 5,409 | 1,035 | 6,444 |
| 3,408 | 804 | 4,212 | Regulatory Administrative Comm | 6,743 | 754 | 7,497 |
| 18,978 | 6,707 | 25,685 | Cost of Services | 18,848 | 5,292 | 24,140 |
| (36,170) | 10,001 | (26,169) | Other compatible income/expenditure | (37,821) | 157,062 | 119,241 |
| (17,192) | 16,708 | (484) | Net position | (18,973) | 162,354 | 143,381 |
| (1,352) | | | Opening balance for General Fund | (2,002) | | |
| (17,192) | | | Net position above | (18,973) | | |
| 12,327 | | | Minimum Revenue Provision | 12,095 | | |
| 1,206 | | | Contribution to capital spending | 1,000 | | |
| 3,009 | | | Transfer to Reserves | 5,398 | | |
| (2,002) | | | Closing balance for General Fund | (2,482) | | |

**Adjustments between Funding and Accounting Basis 2022/23**

| Adjustments from General Reserves to arrive at the Comprehensive Income and Expenditure Statement amounts | 2022/23 Adjustments for Capital Purposes (Note i) | Net change for Pensions Adjustments (Note ii) | Accumulated Absences (Note iii) | Total |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| Community Wellbeing & Housing | 2,200 | 533 | 6 | 2,739 |
| Corporate Policy and Resources | 170 | 353 | 4 | 527 |
| Economic Development | 8 | 26 | 0 | 34 |
| Environment & Sustainability | 3 | 198 | 2 | 203 |
| Neighbourhood Services | 200 | 824 | 10 | 1,034 |
| Regulatory Administrative Comm | 310 | 440 | 5 | 755 |
| **Cost of Services** | 2,891 | 2,374 | 27 | 5,292 |
| Other income and expenditure | 0 | 0 | 157,062 | 157,062 |
| | 2,891 | 2,374 | 157,089 | 162,354 |

**Adjustments between Funding and Accounting Basis 2021/22**

| Adjustments from General Reserves to arrive at the Comprehensive Income and Expenditure Statement amounts | 2021/22 Adjustments for Capital Purposes (Note i) | Net change for Pensions Adjustments (Note ii) | Accumulated Absences (Note iii) | Total |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| Community Wellbeing & Housing | 2,473 | 750 | 0 | **3,223** |
| Corporate Policy and Resources | (431) | 505 | 0 | **74** |
| Economic Development | 14 | 42 | 0 | **56** |
| Environment & Sustainability | 3 | 285 | 0 | **288** |
| Neighbourhood Services | 663 | 1,152 | (1) | **1,814** |
| Regulatory Administrative Comm | 316 | 650 | 0 | **966** |
| **Cost of Services** | **3,038** | **3,384** | **(1)** | **6,421** |
| Other income and expenditure | 1 | 0 | 9,999 | 10,000 |
| | **3,039** | **3,384** | **9,998** | **16,421** |

Note i: Adjustments relating to capital include depreciation, amortisation of intangible assets, impairment, revenue funded under statute, movement in the value of investment properties, gains/losses on disposal of non-current assets, capital grants and contributions and revenue contributions to capital outlay.

Note ii: Adjustments relating to pensions are the removal of employee pension costs for the Local Government Pension Scheme and their replacement with current service costs and past service costs plus net interest on the defined benefit pension liability.

Note iii: Other adjustments include the difference between what is chargeable under statutory regulations for Council tax and NDR, employee benefits and investment property income.

**Expenditure and income Analysed by nature** - The Council's expenditure and income is analysed as follows:

| | 2021/22 £'000 | 2022/23 £'000 |
|---|---|---|
| **Expenditure** | | |
| Employees benefits expenses | 20,458 | 21,378 |
| Premises | 6,504 | 9,554 |
| Transport | 1,590 | 1,033 |
| Supplies & Services | 7,085 | 7,821 |
| Support Services | (713) | (2,823) |
| Third Parties | 2,168 | 3,564 |
| Transfer Payments | 38,096 | 35,952 |
| Capital Charges excluding interest paid | 54,962 | 166,513 |
| Interest Paid | 25,009 | 25,657 |
| **Total Expenditure** | **155,159** | **268,649** |
| **Income** | | |
| Sales | (28,327) | (1,459) |
| Charges use of facilities | (2,460) | (2,589) |
| Service Charges | 1,359 | 212 |
| Rents | (55,682) | (53,868) |
| Interest | (1,742) | (4,009) |
| Govn grants | (34,764) | (27,813) |
| Other grants,reimbure & con | (7,098) | (11,019) |
| Income Other Reimbursement | (105) | (300) |
| Council Tax & Business Rates income | (26,824) | (24,196) |
| **Total Income** | **(155,643)** | **(125,041)** |
| **(Surplus) or Deficit on the Provision of Services** | **(484)** | **143,608** |

The resources available to the Council in any financial year and the expenses that are charged against those resources are specified by statute (the Local Government Act 2003 and the 2003 Regulations). Where the statutory provisions differ from the accrual's basis used in the Comprehensive Income and Expenditure Statement, adjustments to the accounting treatment are made in the Movement in Reserves Statement so that usable reserves reflect the funding available at the year-end. Unusable reserves are created to manage the timing differences between the accounting and funding bases. The material adjustments are:

| **Expense** | **Accounting Basis in CIES** | **Funding Basis in MiRS** | **Adjustment Account** |
|---|---|---|---|
| Property, Plant and Equipment | Depreciation and revaluation/impairment losses | Revenue provision to cover historical cost determined in accordance with the 2003 Regulations (Regs). | Capital Adjustment Account |
| Intangible Assets | Amortisation and impairment | Revenue provision to cover historical cost determined in accordance with the 2003 Regs | Capital Adjustment Account |
| Investment Properties | Movements in fair value | Revenue provision to cover historical cost determined in accordance with the 2003 Regs | Capital Adjustment Account |
| Revenue Expenditure | Expenditure incurred in 2022/23 | Revenue provision to cover historical cost | Capital Adjustment Account |

| | | | |
|---|---|---|---|
| Funded from Capital under Statute | | determined in accordance with the 2003 Regs | |
| Capital Grants and Contributions | Grants that became unconditional in 2022/23 or were received in 2022/23 without conditions | No credit | Capital Grants Unapplied Reserve (amounts unapplied at 31 March 2023)<br>Capital Adjustment Account (other amounts) |
| Non-Current Asset Disposals | Gain or loss based on sale proceeds less carrying amount of asset (net of costs of disposal) | No charge or credit | Capital Adjustment Account (carrying amount)<br>Capital Receipts Reserve (sale proceeds and costs of disposal)<br>Deferred Capital Receipts Reserve (where sale proceeds have yet to be received) |
| Financial Instruments | Premiums payable and discounts receivable on the early repayment of borrowing in 2022/23<br>Losses on soft loans granted in 2022/23 and interest receivable in 2022/23 on an amortised cost basis | Deferred debits and credits of premiums and discounts from earlier years in accordance with the 2003 Regs<br>Interest due to be received on soft loans in 2022/23 | Financial Instruments Adjustment Account |
| Pooled Investments | Movements in the fair value of pooled investment funds | Historical cost gains/losses for money market fund investments disposed of in 2022/23 | Pooled Investment Funds Adjustment Account |
| Pensions Costs | Movements in pensions assets and liabilities (see Policy 10) | Employer's pensions contributions payable and direct payments made by the Council to pensioners for 2022/23 | Pensions Reserve |
| Council Tax | Accrued income from 2022/23 bills | Demand on the Collection Fund/precept for 2022/23 plus recovery of estimated deficit/share of estimated surplus for 2021/22 | Collection Fund Adjustment Account |
| Business Rates | Accrued income from 2022/23 bills | Budgeted income receivable from the Collection Fund for 2022/23 plus recovery of estimated deficit/share of estimated surplus for 2021/22 | Collection Fund Adjustment Account |
| Dedicated Schools Grant | Expenditure incurred in 2022/23 to be met from | Expenditure incurred up to the amount of the Grant receivable for 2022/23. | Dedicated Schools Grant Adjustment Account |

| | | | |
|---|---|---|---|
| | Dedicated Schools Grant | | |
| Holiday Pay | Projected cost of untaken leave entitlements at 31 March 2023 | No charge | Accumulated Absences Adjustment Account |

## 2. Accounting Standards issued but not yet adopted

At the Balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the 2022/23 Code of Practice of Local Authority Accounting in the United Kingdom:

The standards introduced include:

- IFRS 16 Accounting for Leases, where an authority adopted IFRS 16 in 2022/23 but chose to defer implementation of IFRS 16 to PFI/PPP arrangements until 2023/24 information on that more specific accounting change will be required in its 2022/23 statements of accounts (this is not applicable to the Council as currently there are no PFI/PPP arrangements in place).
- IAS 1 & IFRS 2 in respect of the definition of accounting estimates (February 2021)
- IAS 1 and IFRS 2 Practice Statement 2 in respect of disclosure of accounting policies (February 2021)
- IAS 12 amendments in respect of Deferred Tax related to Assets and Liabilities arising from a Single Transaction (May 2021)

These will be incorporated into the Statement of Accounts for 2023/24. At this stage, it is not anticipated that there will be any material effect on the Council's finances or the 2022/23 statement of accounts.

## 3. Critical Judgement in applying Accounting Policies

In applying the accounting policies set out on pages 22 to 40, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government and with respect to the longer impacts of COVID-19, Cost of Living Crisis and funding post a general election. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision, as a result of the Council's Investment & Regeneration Property Portfolio, which provides £10.8m of additional financial support each year towards the Council's Revenue budget, to support services, housing and regeneration projects. The Council prepares a Medium-Term Financial Strategy within the budget setting process, which models the risk and helps identify what needs to be done to manage the risks, and the continued delays in developing our projects, are impacting on the Council's future cash inflows and when combined with the significant increases in the Public Works Loan Board 50 year certainty rate, the Council will have to monitor the situation closely.

- The Council holds a significant portfolio of investment properties, as set out in Note 13, where the focus is on maintaining revenue streams, rather than short-term capital growth and although the general economic activity is fragile, the Council judges that its portfolio in the context of the implications of the pandemic on the local economy is currently robust, as reflected by achieving a 98.9% (2021/22: 99.92%) collection rate for rental invoiced in 2022/23, and healthy enough that its assets will not be materially impaired as a result of a decrease in economic activity, particularly as the Council does not have any short-term plans to sell off any properties to crystallise any capital losses, as a result of the downturn in property valuations caused by the pandemic.

- In accordance with Note 11, all investment properties are valued annually in accordance with the methodologies and bases for estimate set out in the professional standards of the Royal Institute of Chartered Surveyors. The Council also carries out a rolling programme of its operational property that ensures that all Property, Plant and Equipment required to be measured at a fair value, is revalued at least once every five years. Valuations of vehicles, plant, furniture & equipment and assets under construction are not subject to revaluation on the grounds of materiality. Historic cost is used as a proxy for current value.
- The number of operational assets in our asset portfolio under £1million in value that were not revalued at year end amounted to 31 assets with an average asset value of £100,595. Having considered these assets, the Council believes that its current valuation programme is not in need of change.
- Following the end of the COVID-19 pandemic when central government requested that the Council held back on its follow up action in respect of its outstanding debts, the Council is now beginning to recover its outstanding monies from taxpayers, the Council has been prudent when setting our rates for bad debt provisions, which are reflected in these financial statements.

## 4. Prior Period Adjustments

There are no prior period adjustment accounted for in 2022/23. (In 2021/22 there was one prior period adjustment in respect of and over charge of loan interest in the Comprehensive Expenditure and Income Statement and an equal and opposite under recovery of capitalised loan interest in respect of the Council's development property portfolio amounting to £751,376).

## 5. Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends, and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Council's Balance Sheet at 31 March 2023 for which there is a significant risk of material adjustments in the forthcoming financial year are as follows:

| Item | Uncertainties | Effect if Actual Results differ from Assumptions |
|---|---|---|
| Pension liability | Estimation of the net liability to pay pensions depends on several complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and | The effects on the net pensions liability of changes in individual assumptions can be measured. For example, a 1.0% decrease in the real discount rate assumption would result in an increase in the pension |

| | | |
|---|---|---|
| | expected returns on pension fund assets. Surrey Pension Fund have engaged a firm of consulting actuaries who provide the Council with expert advice about the assumptions to be applied. | liability of £18.1m (2021/22(Revised) : £25.2m). However, the assumptions interact in complex ways. A 1-year increase in member life expectancy would increase the liability by £4.6m (2021/22(Revised): £6.2m). Similarly, a 1.0% increase in the salary rate or in the pension increase rate would increase the liability by £1.7m (2021/22: £2.6m) and £16.7m (2021/22(revised): £22.4m) respectively. |
| Business Rates. | Estimation of the likelihood of successful appeals against the valuations calculated by the Valuation Office. This is based on the number of appeals outstanding as at 31 March 2023 and the historical success rate of all appeals since 2010 and the percentage built into the multiplier by DLUHC for the 2017 list. | A provision of £1.6m (2021/22: £1.0m) has been included in the accounts to reflect the Council's 40% (2021/22: 40%) share of the estimated impact of business rate payers successfully appealing the rateable value assigned to their properties. |
| Investment Properties | The effect of Covid-19 and now the Cost of Living Crisis is having a significant impact on investment property values as at 31 March 2023, noting that all movements in value are charged to the CI&E account but are reversed out under regulation and held in unusable reserves and have no impact on taxation or usable resources. Currently, Council has no intention of disposing of any investment property and therefore, any potential losses on disposal will not materialise and therefore will not impact on residents or the Council's finances.<br><br>Our investment property valuers Carter Jonas have not advised us of any material valuation uncertainties this year. | The effect of a 1% change in the carrying value of investment properties would equate to a positive or negative change in the value by £7.6m (2021/22: £9.2m). |
| Property Plant & Equipment | Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its | If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.<br><br>It is estimated that the annual depreciation charge for buildings would increase by £195,000 for every |

| | | |
|---|---|---|
| | current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.<br><br>The periodic revaluation of Land and Building assets are subject to complex valuation techniques undertaken by professional valuers based on certain assumptions at the time the valuations are undertaken which may change over the passage of time.<br><br>Our operational property valuers Wilkes Head & Eves have not advised us of any material valuation uncertainties this year. | year that useful lives had to be reduced.<br><br>Of the total value of the Council's Operational Land & Buildings, £0.495m (20201/22: £14.5m) was revalued at 31 March 2023.<br><br>These values are material and the sources of estimation uncertainty as they require complex valuation techniques, use of indices, comparison with values of alternative sites etc. It is reasonably possible, based on existing knowledge, that outcomes within the next financial year may be based on different assumptions to the current year and could result in material adjustment to their carrying amount. |
| Arrears | Estimation of the impairment losses on debtors from all debtors. | At 31 March 2023, the Council had a balance of Short-Term Receivables of £7.4m (2021/22: £22.3m) and has made a provision of £7.6m (2021/22: £5.7m) for impairment of doubtful debts. As we come out of the challenges caused by the pandemic, collection rates still remain uncertain as we head into Cost-of-Living crisis and inflationary pressures on residents. |

## 6. Material items of income and expense

The major item of expenditure included in the Comprehensive Income and Expenditure Account is Housing Benefits which was £20.2m (2021/22: £20.8m). However, this expenditure is largely recovered by the receipt of subsidy from central Government, £20.2m (2021/22: £20.8m), so the net cost to the Council is minimal. In addition, a net £52.5m (2020/21: £53.3m) was received in terms of investment properties income (see Note 13).

## 7. Adjustments between Accounting Basis and Funding Basis under regulations

Adjustments are made to the Comprehensive Income and Expenditure Statement recognised by the Council in the year, in accordance with proper accounting practice, to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. The adjustments are made against the following reserves:

## General Fund Balance

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

## Capital Receipts Reserve

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

## Capital Grants Unapplied

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

The following tables provide an analysis of the movement in the above reserves for 2022/23 and the prior year 2021/22

| Adjustments between Accounting and Funding Basis under Regulations 2022/23 | General Reserves | Capital Receipts Reserves | Capital Grants Unapplied | Total Usable Reserves | Total Unusable Reserves |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Adjustments to the Revenue Resources** | | | | | |
| Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements | | | | | |
| Pension costs | (3,801) | | | (3,801) | 3,801 |
| Financial instruments | | | | 0 | |
| Council tax | 114 | | | 114 | (114) |
| Business rates | 2,388 | | | 2,388 | (2,388) |
| Holiday pay | (29) | | | (29) | 29 |
| Reversal of entries included in the (Surplus)/Deficit on the Provision of Services in relation to Capital Expenditure | (162,106) | | | (162,106) | 162,106 |
| Revenue Expenditure funded form Capital unders Statute | (954) | | 0 | (954) | 954 |
| Capital Grants and Contributions Unapplied credited to the Comprehensive Income and Expenditure Statement | 1,049 | | (1,049) | 0 | 0 |
| Capital Grants and Contributions received and applied for capital financing | | | | 0 | 0 |
| Total Adjustments to Revenue Resources | (163,339) | | (1,049) | (164,388) | 164,388 |
| **Adjustments between Revenue and Capital Resources** | | | | | |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve | 985 | (985) | | 0 | 0 |
| Statutory provision for the repayment of debt | 12,095 | | | 12,095 | (12,095) |
| Capital expenditure financed from revenue balances | 1,000 | | | 1,000 | (1,000) |
| Total Adjustments between Revenue and C | 14,080 | (985) | 0 | 13,095 | (13,095) |
| **Adjustments to Capital Resources** | | | | | |
| Use of the Capital Receipts Reserve to finance Capital Expenditure | | 321 | | 321 | (321) |
| Application of Capital Grants to finance Capital Expenditure | | | 1,268 | 1,268 | (1,268) |
| Cash payments in relation to Deferred Capital Receipts | | | | 0 | |
| Total Ajustments to Capital Resources | 0 | 321 | 1,268 | 1,589 | (1,589) |
| Total Adjustments | (149,259) | (664) | 219 | (149,704) | 149,704 |

| Adjustments between Accounting and Funding Basis under Regulations 21/22 | General Reserves £'000 | Capital Receipts Reserves £'000 | Capital Grants Unapplied £'000 | Total Usable Reserves £'000 | Total Unusable Reserves £'000 |
|---|---|---|---|---|---|
| Adjustments to the Revenue Resources | | | | | |
| Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements | | | | | |
| Pension costs | (962) | | | (962) | 962 |
| Council tax | (281) | | | (281) | 281 |
| Business rates | (9,285) | | | (9,285) | 9,285 |
| Holiday pay | (25) | | | (25) | 25 |
| Reversal of entries included in the (Surplus)/Deficit on the Provision of Services in relation to Capital Expenditure | (79,662) | | | (79,662) | 79,662 |
| Revenue Expenditure funded form Capital unders Statute | (857) | | 0 | (857) | 857 |
| Capital Grants and Contributions Unapplied credited to the Comprehensive Income and Expenditure Statement | 3,371 | | (3,371) | 0 | 0 |
| Capital Grants and Contributions received and applied for capital financing | | | | 0 | 0 |
| Transfer of deferred sale proceeds credited as part of gain/loss on | 0 | | | 0 | 0 |
| Total Adjustments to Revenue Resources | (87,701) | | (3,371) | (91,072) | 91,072 |
| Adjustments between Revenue and Capital Resources | | | | | |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve | 429 | (429) | | 0 | 0 |
| Statutory provision for the repayment of debt | 11,903 | | | 11,903 | (11,903) |
| Capital expenditure financed from revenue balances | 2,857 | | | 2,857 | (2,857) |
| Total Adjustments between Revenue and | 15,189 | (429) | 0 | 14,760 | (14,760) |
| Adjustments to Capital Resources | | | | | |
| Use of the Capital Receipts Reserve to finance Capital Expenditure | | 429 | | 429 | (429) |
| Application of Capital Grants to finance Capital Expenditure | | | 1,003 | 1,003 | (1,003) |
| Cash payments in relation to Deferred Capital Receipts | | | | 0 | |
| Total Ajustments to Capital Resources | 0 | 429 | 1,003 | 1,432 | (1,432) |
| **Total Adjustments** | **(72,512)** | **0** | **(2,368)** | **(74,880)** | **74,880** |

## 8. Transfers to and from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and balances in Earmarked Reserves to provide financing for future expenditure plans and the amounts transferred from Earmarked Reserves to meet General Fund expenditure in 2022/23.

| Earmarked Reserves | 31 Mar 22 | Transfers to Reserves | Used in revenue funding | Transfers between Reserves | 31 Mar 23 |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Revenue Grants unapplied | (3,688) | (1,897) | 211 | | (5,374) |
| Capital Fund | (1,443) | 0 | 0 | | (1,443) |
| Insurance Fund | (50) | 0 | 0 | | (50) |
| Planned Spending Funds | (14,877) | (139) | 106 | 1,847 | (13,063) |
| Funds for acquired properties | (33,622) | (7,972) | 3,824 | | (37,770) |
| Youth Fund | (20) | 0 | 0 | | (20) |
| Local Environmental Assessment Fund | (163) | 0 | 9 | | (154) |
| Green Belt | | | | (900) | (900) |
| Contributions from Developers | (9,509) | (352) | 812 | (947) | (9,996) |
| Earmarked Reserves 31st March | (63,372) | (10,360) | 4,962 | 0 | (68,770) |
| General Fund Balance | (2,002) | (480) | 0 | | (2,482) |
| Balance carried forward 31st March | (65,374) | (10,840) | 4,962 | 0 | (71,252) |

# 9. Financing and Investment Income and Expenditure

| 2021/22 | | | Financing and Investment Income and Expenditure | | 2022/23 | | |
|---|---|---|---|---|---|---|---|
| Expenditure | Income | Total | | | Expenditure | Income | Total |
| £'000 | £'000 | £'000 | | Notes | £'000 | £'000 | £'000 |
| 23,787 | 0 | 23,787 | Interest payable and similar charges | | 24,229 | 0 | 24,229 |
| 1,222 | 0 | 1,222 | Net interest on the net defined benefit liability (asset) | | 1,428 | 0 | 1,428 |
| 0 | (1,742) | (1,742) | Interest receivable and similar income | | 0 | (4,009) | (4,009) |
| 26,411 | (53,348) | (26,937) | Income and expenditure in relation to investment property | | 165,206 | (52,564) | 112,642 |
| 51,420 | (55,090) | (3,670) | Financing and Investment Income and Expenditure | | 190,863 | (56,573) | 134,290 |

# 10. Taxation and Non-Specific Grant Income

| 2021/22 | | | Taxation and Non-Specific Grant Income | | 2022/23 | | |
|---|---|---|---|---|---|---|---|
| Expenditure | Income | Total | | | Expenditure | Income | Total |
| £'000 | £'000 | £'000 | | Notes | £'000 | £'000 | £'000 |
| 185 | (8,449) | (8,264) | Council Tax Income | | 117 | (8,663) | (8,546) |
| 26,745 | (28,421) | (1,676) | Non-domestic Rates Income and Expenditure | | 21,873 | (20,080) | 1,793 |
| 0 | (9,666) | (9,666) | Non-ringfenced government grants | | 0 | (6,263) | (6,263) |
| 0 | (1,762) | (1,762) | Capital Grants and Contributions | | 0 | (1,049) | (1,049) |
| 26,930 | (48,298) | (21,368) | Total Taxation and Non-Specific Grant Income | | 21,990 | (36,055) | (14,065) |

## 11. Property, Plant and Equipment

### Movement on Balances in 2022/23:

| Property, Plant and Equipment | Land & Buildings | Vehicles, Plant, Furniture & Equipment | Community Assets | Assets under Construction | Total Property, Plant & Equipment |
|---|---|---|---|---|---|
| | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| ***Cost or Valuation*** | | | | | |
| At 1st April 2022 | 85,541 | 1,759 | 191 | 42,219 | 129,710 |
| Adjustments | | | | 0 | 0 |
| Additions | 40 | 845 | 3 | 18,903 | 19,791 |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | (468) | 0 | 0 | 0 | (468) |
| Revaluation increases/(decreases) recognised in the (Surplus)/Deficit on the Provision of Services | 937 | 0 | 0 | 0 | 937 |
| De-recognition - other | 0 | 0 | 0 | 0 | 0 |
| Other movements in cost or valuation | 1,064 | 0 | 0 | (64) | 1,000 |
| At 31st March 2023 | 87,114 | 2,604 | 194 | 61,058 | 150,970 |
| ***Accumulated Depreciation and Impairment*** | | | | | |
| At 1st April 2022 | 0 | (1) | 0 | 0 | (1) |
| Depreciation charge | (2,125) | (594) | (7) | 0 | (2,726) |
| Depreciation written out to the Revaluation Reserve | 970 | 0 | 0 | 0 | 970 |
| Depreciation written out to the (Surplus)/Deficit on the Provision of Services | 42 | 0 | 0 | 0 | 42 |
| Other movements in depreciation and impairment | 0 | 0 | 0 | 0 | 0 |
| At 31st March 2023 | (1,113) | (595) | (7) | 0 | (1,715) |
| ***Net Book Value*** | | | | | |
| At 31st March 2023 | 86,001 | 2,009 | 187 | 61,058 | 149,255 |
| At 31st March 2022 | 85,541 | 1,758 | 191 | 42,219 | 129,709 |

## Movement on balances in 2021/22

| Property, Plant and Equipment | Land & Buildings | Vehicles, Plant, Furniture & Equipment | Community Assets | Assets under Construction | Total Property, Plant & Equipment |
|---|---|---|---|---|---|
| | *£'000* | *£'000* | *£'000* | *£'000* | *£'000* |
| ***Cost or Valuation*** | | | | | |
| At 1st April 2021 | 73,784 | 2,235 | 163 | 74,193 | 150,375 |
| Adjustments | | | | 0 | 0 |
| Additions | 110 | 481 | 38 | 4,112 | 4,741 |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | 4,698 | 0 | 0 | 0 | 4,698 |
| Revaluation increases/(decreases) recognised in the (Surplus)/Deficit on the Provision of Services | (390) | 0 | 0 | 0 | (390) |
| De-recognition - other | 0 | (29) | 0 | (26,852) | (26,881) |
| Other movements in cost or valuation | 9,233 | 0 | 0 | (9,233) | 0 |
| At 31st March 2022 | 87,435 | 2,687 | 201 | 42,220 | 132,543 |
| ***Accumulated Depreciation and Impairment*** | | | | | |
| At 1st April 2021 | (906) | (455) | (5) | 0 | (1,366) |
| Depreciation charge | (2,917) | (473) | (5) | 0 | (3,395) |
| Depreciation written out to the Revaluation Reserve | 280 | 0 | 0 | 0 | 280 |
| Depreciation written out to the (Surplus)/Deficit on the Provision of Services | 1,647 | 0 | 0 | 0 | 1,647 |
| Other movements in depreciation and impairment | 0 | 0 | 0 | 0 | 0 |
| At 31st March 2022 | (1,896) | (928) | (10) | 0 | (2,834) |
| ***Net Book Value*** | | | | | |
| At 31st March 2022 | 85,539 | 1,759 | 191 | 42,220 | 129,709 |
| At 31st March 2021 | 72,878 | 1,780 | 158 | 74,193 | 149,009 |

### Depreciation
The following useful lives and depreciation rates have been used in the calculation of depreciation:

| | |
|---|---|
| Land | Freehold land is not depreciated |
| Buildings | Remaining useful life as estimated by qualified valuer |
| Vehicles and IT Equipment | 20% of the carrying amount |
| Other Equipment | 5 years |

### Capital Commitments
There was £48.3m capital commitments outstanding as at 31 March 2023 (2021/22; £nil).

### Effect of Changes in Estimates
In 2022/23 the Council made no material changes to its accounting estimates for property, plant, and equipment.

### Revaluations
Asset valuations (including Fair Value measurement) and impairment is based on an estimate and the Council draws on the expertise of its Royal Institute of Chartered Surveyors (RICS) Registered Valuer G A Harbord MA MRIC IRRV (Hons) of Wilks Head Eves, LLP, to calculate valuations, useful lives and impairment reviews in accordance with the professional guidance.

The valuations have been completed in accordance with: -

- Royal Institute of Chartered Surveyors (RICS) valuation – professional standards 2014 (revised 2015)
- RICS valuation – global standards 2017 (The Standards)
- Applicable IFRS
- Chartered Institute of Public Finance and Accounting Code of Practice on local Council Accounting (The Code)

When the fair value of financial assets and liabilities cannot be measured on quoted prices in active markets, i.e., level 1 inputs, their fair value is measured using valuation techniques. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible professional judgement is required. These judgements typically include considerations such as uncertainty and risk, however, changes in assumptions used could affect the fair value of the Council's assets and liabilities.

The Council carries out a rolling programme that ensures all its property, plant and equipment is measured at fair value at least every five years.

Valuations of vehicles, plant & equipment and buildings under construction are not subject to revaluation on the grounds of materiality. Historic cost is used as a proxy for current value.

## 12. Heritage Assets

The Council's main heritage assets are war memorials and the total book value of these is as follows:

| 2021/22 *£'000* | Heritage Assets | 2022/23 *£'000* |
|---|---|---|
| | *Balance at 1st April* | |
| 223 | Balance at 1st April | 238 |
| 0 | Revaluation increases/(decreases) recognised in the Revaluation Reserve | 0 |
| 223 | Balance at 31st March | 238 |
| | *Accumulated Depreciation and Impairment* | |
| 0 | Depreciation at 1st April | (23) |
| (7) | Depreciation | (6) |
| 0 | Depreciation written out to the Revaluation Reserve | 0 |
| (7) | Balance at 31st March | (29) |
| | *Net Book Value* | |
| 216 | Balance at 31st March | 209 |

Depreciation is not required on heritage assets which have indefinite lives. However, war memorials have been valued by a qualified valuer and are deemed to have finite lives, so depreciation has been charged in line with the Council's policy.

Heritage assets (where only insurance values are available) have not been reflected in the balance sheet. The statues and sculpture assets are subject to vandalism and the insurance values reflects the level of past insurance claims and the civic regalia and works of art are regarded de-minimus under the Council's asset valuation policy.

## 13. Investment Properties

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

| 2021/22 £'000 | | 2022/23 £'000 |
|---|---|---|
| (53,349) | Rental income from properties | (52,564) |
| 3,039 | Net Operating income/expenses | 5,037 |
| 23,372 | Changes in valuations | 160,169 |
| (26,938) | Balance at 31st March | 112,642 |

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to receive income and the proceeds of disposal.

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

| 2021/22 £'000 | Investment Property | 2022/23 £'000 |
|---|---|---|
| 939,747 | Balance at 1st April | 916,375 |
| 0 | Additions | 0 |
| (23,372) | Net gains/losses from fair value adjustments | (160,169) |
| 916,375 | Balance at 31st March | 756,206 |

Investment Property valuations (including Fair Value measurement) and impairment is based on an estimate and the Council draws on the expertise of its RICS Valuer Dudley Holme-Turner MRICS of Carter Jonas, LLP, to calculate valuations, useful lives, and impairment reviews in accordance with the professional guidance.

The valuations have been completed in accordance with: -

- Royal Institute of Chartered Surveyors (RICS) valuation – professional standards 2014 (revised 2015)
- RICS valuation – global standards 2017 (The Standards)
- IFRS
- Chartered Institute of Public Finance and Accounting Code of Practice on local Council Accounting (The Code)

| 2021/22 £'000 | Fair value measurement | 2022/23 £'000 |
|---|---|---|
| 591,216 | Land | 460,313 |
| 325,159 | Buildings | 295,893 |
| 916,375 | Balance at 31st March | 756,206 |

When the fair value of financial assets and liabilities cannot be measured on quoted prices in active markets, i.e., level 1 inputs, their fair value is measured using valuation techniques. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible professional judgement is required. These judgements typically include considerations such as uncertainty and risk, however, changes in assumptions used could affect the fair value of the Council's assets and liabilities.

**Valuation Techniques used to Determine Level 2 Fair Values for Investment Properties**

**Significant Observable Inputs – Level 2**
The land and buildings located in the local area are measured using the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

**Highest and Best Use of Investment Properties**
In estimating the fair value of the Council's investment properties, the highest and best use of the properties is their current use taking into account any restrictions on use or sale. Such restrictions include known planning limitations on potential change of use and known title restrictions including existing tenancies.

**Valuation Techniques**
There has been no change in the valuation techniques used during the year for investment properties.

## 14. Intangible Assets

Intangible assets include purchased software licenses, and these are amortised on a straight-line basis over a period of five years.

| 2021/22 *£'000* | Intangible Assets | 2022/23 *£'000* |
|---|---|---|
| 253 | Balance at 1st April | 336 |
| 279 | Additions | 227 |
| 532 | Balance at 31st March | 563 |
| | *Accumulated Amortisation* | |
| (196) | Amortisation written out to the (Surplus)/Deficit on the Provision of Services | (198) |
| (196) | Balance at 31st March | (198) |
| | *Net Book Value* | |
| 336 | Balance at 31st March | 365 |

## 15. Financial Instruments

**Financial Instruments – Balances**

The financial liabilities disclosed in the Balance Sheet are analysed across the following categories:

| Long-term | Short-term | Financial Liabilities | Long-term | Short-term |
|---|---|---|---|---|
| 31 Mar 22 | 31 Mar 22 | | 31 Mar 23 | 31 Mar 23 |
| *£'000* | *£'000* | | *£'000* | *£'000* |
| | | *Loans at amortised cost:* | | |
| 1,077,472 | 41,450 | Principal sum borrowed | 1,069,846 | 25,629 |
| | 3,228 | Accrued Interest | | 9,584 |
| **1,077,472** | **44,678** | **Total borrowing *** | **1,069,846** | **35,213** |
| | | *Liabilities at amortised cost:* | | |
| | 5,206 | Trade Payables ** | | 4,639 |
| | **5,206** | **Total cash and cash equivalents** | | **4,639** |

** The accrued interest in short-term borrowing represents accrued interest and principal repayments due within 12 months on long-term borrowing.*
*** The Short-term Payables line on Balance Sheet includes £45,421k (2021/22: £67,049k) that do not meet the definition of a financial liability as they relate to non-exchange transactions.*

The financial assets disclosed in the Balance Sheet are analysed across the following categories:

| Long-term | Short-term | Financial Assets | Long-term | Short-term |
|---|---|---|---|---|
| 31 Mar 22 | 31 Mar 22 | | 31 Mar 23 | 31 Mar 23 |
| *£'000* | *£'000* | | *£'000* | *£'000* |
| | | *At amortised cost:* | | |
| 318 | 40,442 | Principal | 30,960 | 45,098 |
| - | 35 | Accrued Interest | - | 150 |
| | | *At FVOCI:* | | |
| 35,552 | - | Equity instruments elected FVOCI | 4,697 | - |
| **35,870** | **40,477** | **Total investments *** | **35,657** | **45,248** |
| | | *At amortised cost:* | | |
| | (257) | Principal | - | 1,127 |
| | 53,210 | *At FVPL* | | 15,916 |
| | **52,953** | **Total cash and cash equivalents** | | **14,789** |
| | | *At amortised cost:* | | |
| | 10115 | Trade receivables ** | | 4,633 |
| 29,839 | 49 | Loans made for service purposes | | - |
| | 271 | Accrued interest | | 336 |
| **29,839** | 10,435 | **Included in debtors** | **-** | **4,969** |

** The accrued interest in short-term investments represents accrued interest and principal repayments due within 12 months on long-term investments.*

** The Short-term Receivables line on Balance Sheet includes £2,411k (2021/22: £9,362k) that do not meet the definition of

| Fair Value 31 Mar 22 | Dividends 00 Jan 00 | Equity instruments elected to FVOCI | Fair Value 31 Mar 23 | Dividends |
|---|---|---|---|---|
| *£'000* | *£'000* | | *£'000* | *£'000* |
| 742 | 43 | Charteris Elite Premium Income Fund | 716 | 28 |
| 0 | 0 | Schroders Income Maximiser Fund Class L | 5,189 | 322 |
| 1,834 | 53 | Schroders Income Maximiser Fund | - | - |
| 5,478 | 352 | Schroders Income Maximiser Fund | - | - |
| 0 | 0 | Schroders UK Corporate Bond Fund | 1,501 | 106 |
| 2,218 | 65 | M&G Extra Income Fund Sterling | - | - |
| 0 | 0 | M&G Optimal Income Fund - PP - Inc | 1,578 | 71 |
| 3,929 | 68 | M&G Optimal Income Sterling | - | - |
| 0 | 0 | M&G Global Dividend Fund - PP - Inc | 6,133 | 197 |
| 1,666 | 40 | M&G Global Dividend Fund | - | - |
| 1,949 | 83 | M&G Global Dividend Fund | - | - |
| 0 | 0 | M&G UK Income Distribution | 1,820 | 76 |
| 0 | 0 | Ninety One Diversified Income Fund - J - Inc | 3,951 | 191 |
| 2,733 | 86 | Ninety One Diversified Income Fund | - | - |
| 1,423 | 45 | Ninety One Diversified Income Fund | - | - |
| 0 | 0 | CT UK Equity Fund - L - Inc | 3,845 | 136 |
| 2,178 | 51 | Threadneedle Investment Services | - | - |
| 3,442 | 96 | Threadneedle Investment Services | - | - |
| 0 | | CT Global Equity Fund - L - Inc (FKA Threadneedle Global Equity Fund | 1,816 | 40 |
| 2,281 | 74 | CCLA LAMIT Property Fund - Inc | 1,926 | 83 |
| 1,302 | 42 | CCLA LAMIT Property Fund - Inc | 1,099 | 47 |
| 1,370 | 66 | UBS Multi-Asset Income Fund - L - Inc | 1,159 | 77 |
| 3,007 | 153 | Aegon Diversified Monthly Income Fund - B - Inc | 2,650 | 154 |
| **35,552** | **1,367** | **Totals** | 33,383 | 1,528 |

a financial liability as they relate to non-exchange transactions.

Financial assets and liabilities are set off against each other where the Council has a legally enforceable right to set off and it intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

**Equity instruments elected to fair value through other comprehensive income**
The Council has elected to account for the following investments in equity instruments at fair value through other comprehensive income because they are long-term strategic holdings and changes in their fair value are not considered to be part of the Council's annual financial performance.

**Financial Instruments - Gains and Losses**

The gains and losses recognised the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following:

| 2021/22 Total | Gains and Losses | Financial Liabilities at Amortised Cost | Financial Assets | | | | 2022/23 Total |
|---|---|---|---|---|---|---|---|
| | | | Amortised Cost | Fair Value through OCI | Elected to Fair Value through OCI | Fair Value through Profit & Loss | |
| *£'000* | | *£'000* | *£'000* | *£'000* | *£'000* | *£'000* | ***£'000*** |
| **23,788** | Interest expense | 25,657 | | | | | **25,657** |
| **39** | Fees paid | 18,529 | | | | | **18,529** |
| **23,827** | **Interest payable and similar charges** | **44,186** | | | | | **44,186** |
| **(1,742)** | Interest income | | (4,009) | | | | **(4,009)** |
| **(1,369)** | Dividend income | | | | | 336 | **336** |
| **(3,110)** | **Interest and investment income** | | **(4,009)** | | | **336** | **(3,673)** |
| **20,717** | **Net impact on surplus/ deficit on provision of services** | **44,186** | **(4,009)** | | | **336** | **40,513** |
| **(1,705)** | Gains on revaluation | | | | (2,169) | | **(2,169)** |
| | Losses on revaluation | | | | | | |
| **(1,705)** | **Impact on Other Comprehensive Income** | | | | **(2,169)** | | **(2,169)** |
| **19,012** | **Net Gain/ Loss for the Year** | **44,186** | **(4,009)** | | **(2,169)** | **336** | **38,344** |

**Financial Instruments - Fair Values**
Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For assets, including shares in money market funds and other pooled funds, the fair value is taken from the market price.

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2023, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

Fair values are shown in the table below, split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, for example bond prices.
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, for example interest rates or yields for similar instruments.
- Level 3 – fair value is determined using unobservable inputs, for example non-market data such as cash flow forecasts or estimated creditworthiness.

** The fair value of short-term financial liabilities held at amortised cost, including trade payables, is assumed to approximate to the carrying amount.*

| Balance Sheet 31/03/22 *£'000* | Fair Value 31/03/22 *£'000* | FV - Financial Liabilities | Fair value level | Balance Sheet 31/03/23 £'000 | Fair Value 31/03/23 *£'000* |
|---|---|---|---|---|---|
| | | *Financial liabilities held at amortised cost:* | | | |
| 1,046,880 | 1,098,246 | Long-term loans from PWLB | 2 | 1,053,820 | 0 |
| 6,940 | 14,931 | Other long-term loans | 2 | 0 | 0 |
| **1,053,820** | **1,113,177** | **TOTAL** | | **1,053,820** | **0** |
| 117,911 | | Liabilities for which fair value is not disclosed* | | 101,298 | |
| **1,171,731** | | **TOTAL FINANCIAL LIABILITIES** | | **1,155,118** | |
| | | *Recorded on balance sheet as:* | | | |
| 77,735 | | Short-term borrowing | | 35,213 | |
| 1,053,820 | | Long-term borrowing | | 1,069,846 | |
| 40,176 | | Short-term payables | | 50,059 | |
| **1,171,731** | | | | **1,155,118** | |

The fair value of financial liabilities held at amortised cost is higher than their balance sheet carrying amount because the authority's portfolio of loans includes loans where the interest rate payable is higher than the current rates available for similar loans as at the Balance Sheet date.

| Balance sheet 31 Mar 21 £'000 | Fair value 31 Mar 21 £'000 | FV - Financial Assets | Fair value level | Balance sheet 31 Mar 22 £'000 | Fair value 31 Mar 22 £'000 |
|---|---|---|---|---|---|
| | | *Financial assets held at fair value:* | | | |
| 13,210 | | Money market funds | 1 | 12,783 | |
| 35,552 | | Strategic pooled funds | 1 | 38,790 | |
| | | *Financial assets held at amortised cost:* | | | |
| 29,839 | 29,134 | Long-term loans to companies | 2 | 34,501 | 29,885 |
| **78,601** | **77,896** | **TOTAL** | | **86,074** | **81,458** |
| 68,566 | | Assets for which fair value is not disclosed* | | 27,487 | |
| **147,167** | | **TOTAL FINANCIAL ASSETS** | | **113,561** | |
| | | | | | |
| | | *Recorded on balance sheet as:* | | | |
| 40,477 | | Short-term investments | | 45,248 | |
| 35,870 | | Long-term investments | | 35,657 | |
| 52,953 | | Cash and cash equivalents | | 14,789 | |
| 17,867 | | Short-term receivables | | 17,867 | |
| **147,167** | | | | **113,561** | |

** The fair value of short-term financial assets held at amortised cost, including trade receivables, is assumed to approximate to the carrying amount.*

The fair value of financial assets held at amortised cost is lower than their balance sheet carrying value amount because interest rates have risen since the investment was originally made.

**Financial Instruments – Risks**

The Council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2021.

In line with the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Investment Strategy in compliance with the DLUHC's* Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost.

** DLUHC is the Government department 'Department for Levelling Up, Communities and Local Government', formerly known as 'Ministry of Housing, Communities and Local Government'.*

The main risks covered are:

- *Credit Risk:* The possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the Council.

- *Liquidity Risk:* The possibility that the Council might not have the cash available to make contracted payments on time.

- *Market Risk:* The possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates or equity prices.

**Credit Risk: Treasury Investments**
The Council manages credit risk by restricting treasury investments to certain institutions including commercial entities with a minimum long-term credit rating of A-, the UK government, other local authorities, and organisations without credit ratings upon which the Council has received independent investment advice. The Council also has a £0.4m investment in Funding Circle as a means of diversifying investment, through which small and medium sized organisations are invested in, and for which credit ratings are not readily available (categorised as 'BBB+' in the Credit Risk table below).

A limit of £10m is placed on the amount of money that can be invested with a single counterparty and £10m on secured investments with AAA rated banks and unlimited with UK government. For unsecured investments in banks, building societies and companies, lower limits apply (£2m for banks, £1m for corporates and registered providers). The Council also sets limits on investments in certain sectors. No more than £70m in total can be invested for a period longer than one year.

The table below summarises the credit risk exposures of the Council's treasury investment portfolio, by credit rating and remaining term to maturity:

| Long-term 31 Mar 22 *£'000* | Short-term 31 Mar 22 *£'000* | Credit Risk | Long-term 31 Mar 23 *£'000* | Short-term 31 Mar 23 *£'000* |
|---|---|---|---|---|
| | | **Credit Rating** | | |
| 0 | 5,000 | A | 0 | 5,000 |
| 0 | 0 | A- | 0 | 0 |
| 0 | 361 | BBB+ | 30,960 | 1,098 |
| 25,584 | 65,000 | Unrated local authorities | 0 | 39,000 |
| **25,584** | **70,361** | **Total** | **30,960** | **45,098** |
| 48,762 | 0 | Credit risk is not applicable * | 35,657 | 15,916 |
| **74,345** | **70,361** | **Total investments** | **66,616** | **61,014** |

Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies, adjusted for current and forecast economic conditions. A two-year delay in cash flows is assumed to arise in the event of default. Investments are determined to have suffered a significant increase in credit risk where they have been downgraded by three or more credit rating notches or equivalent since initial recognition unless they retain an investment grade credit rating. They are determined to be credit-impaired when awarded a "D" credit rating or equivalent. As at 31 March 2023, £22,000 (2021/22: equivalent: £3,000) of loss allowances related to treasury investments.

**Credit Risk: Trade Receivables**
The way in which the Council manages credit risk on receivables depends on the type of receivable. Receivables relating to investment properties is addressed in the next section.

For general trade receivables, departments are responsible for management of income. This process is strengthened through ongoing development of central debt management support and review of receivables accounts. No formal assessments are generally carried out in respect of individual customers. However, in the event of a significant commitment, financial checks would be carried out to minimise the Council's exposure to loss and default.

The following analysis summarises the Council's trade and lease receivables by due date. Only those receivables meeting the definition of a financial asset are included.

| 31-Mar-22 | Credit for customers | 31-Mar-23 |
|---|---|---|
| *£'000* | | *£'000* |
| 2,189 | Less than three months | 1,844 |
| 111 | Three to six months | 380 |
| 82 | Six months to one year | 834 |
| 561 | More than one year | 430 |
| **2,943** | **Total** | **3,489** |

As at 31 March 2023, £1,033,000 (2021/22: equivalent: £700,000) of loss allowances related to trade receivables.

Loss allowances on trade receivables have been calculated by reference to historic data on UK small to medium entities.

**Credit Risk: Investment properties**

For investment properties, where the rents are high value, various measures are taken to reduce the risk of rent loss. For potential tenants, the financial strength, viability and ability to pay is assessed by Deloitte which produces detailed reports on relevant companies. If necessary, where for example financial strength is not sufficiently high, guarantees from parent companies are obtained to cover potential rent default.

Rents are due from tenants on quarter days for the following three-month period and are paid within two weeks of invoicing by most tenants of investment properties. Any delays are addressed directly with the tenants to ensure that rent is paid, with the option of ending the tenancy where appropriate. With these measures in place, the risk of default is therefore very low as demonstrated by a 98.9% collection rate for 2022-23. During the COVID-19 crisis, the Property Team liaised with tenants to arrange for monthly payment plans and payment deferrals. As a result, the rental performance was significantly better than seen elsewhere in the property sector during this time of uncertainty.

**Liquidity Risk**

The Council has ready access to borrowing at favourable rates from the Public Works Loan Board and other local authorities, and at higher rates from banks and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. It is however exposed to the risk that it will need to refinance a significant proportion of its borrowing at a time of unfavourably high interest rates. This risk is managed by maintaining a spread of fixed rate loans.

**Market Risks: Interest Rate Risk**

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense will rise
- borrowings at fixed rates – the fair value of the liabilities will fall
- investments at variable rates – the interest income will rise
- investments at fixed rates – the fair value of the assets will fall.

Investments measured at amortised cost and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in the fair value of fixed rate investments measured at fair value will be reflected in Other Comprehensive Income or the Surplus or Deficit on the Provision of Services as appropriate.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be as follows:

| 31 Mar 22 | Interest Rate Risk | 31 Mar 23 |
|---|---|---|
| *£'000* | | *£'000* |
| (9) | Decrease in Fair Value of investments held at FVPL | (6) |
| 463 | Increase in interest receivable on investments | 369 |
| (279) | | 564 |
| **175** | **Impact on Surplus or Deficit on the Provision of Services** | **363** |
| (354) | Decrease in Fair Value of investments held at FVOCI | (304) |
| **(179)** | **Impact on Comprehensive Income and Expenditure** | **59** |
| (1,562) | Decrease in Fair Value of loans and investments held at amortised cost* | (934) |
| (156,451) | Decrease in Fair Value of fixed rate borrowing* | (90,603) |

**No impact on Comprehensive Income and Expenditure*

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

**Market Risks: Price Risk**
The market prices of the Council's units in pooled bond funds are governed by prevailing interest rates and the price risk associated with these instruments is managed alongside interest rate risk.

## 16. Receivables

| 2021/22 | Short term receivables | 2022/23 |
|---|---|---|
| *£'000* | | *£'000* |
| 23,959 | General receivables | 25,785 |
| 1,027 | Payments in advance | 1,191 |
| (3,728) | Provisions for impairment | (5,718) |
| 21,258 | Balance at 31st March | 21,258 |

## 17. Cash and Cash Equivalents

The balance of cash and cash equivalents is made up as follows:

| 2021/22 | Cash & cash equivalents | 2022/23 |
|---|---|---|
| *£'000* | | *£'000* |
| 5 | Cash held | 5 |
| 6,148 | Bank accounts | (1,132) |
| 46,800 | Cash Equivalents | 45,017 |
| 52,953 | Balance at 31st March | 43,890 |

At the 31 March 2023, in accordance with the Treasury Management policies, the Council retained a small cash balance, and the reason that the bank is technically over drawn was because of a number of unpresented cheques in the system.

## 18. Assets Held for Sale

There are currently no properties classified as held for sale.

## 19. Payables

| 2021/22 £'000 | Short term payables | 2022/23 £'000 |
|---|---|---|
| (51,165) | General payables | (32,572) |
| (23,689) | Receipts in advance | (15,381) |
| (2,635) | Deposits | (2,363) |
| (77,490) | Balance at 31st March | (50,316) |

## 20. Provisions

| 2021/22 £'000 | Short term provisions | 2022/23 £'000 |
|---|---|---|
| (150) | Municipal Mutual Insurance | (200) |
| (1,000) | Business Rates Appeals | (982) |
| (203) | Expected Credit Loss | (182) |
| (1,353) | Balance at 31st March | (1,364) |

The insurance provision includes amounts in relation to Municipal Mutual Insurance. In January 1994, the Council's then insurer, Municipal Mutual Insurance (MMI) made a Scheme of Arrangement with its creditors. Under this scheme, claims are initially paid out in full, but if the eventual winding up of the company results in insufficient assets to meet all liabilities, a clawback clause will be triggered, which can affect claims already paid.
The rate of Levy may be adjusted by the Scheme Administrator if, following a review of the financial position MMI, he determines that the rate requires to be increased or decreased. Any such adjustment would be applied to the carried forward gross payments at the time.

## 21. Unusable Reserves

| 2021/22 £'000 | Unusable Reserves | 2022/23 £'000 |
|---|---|---|
| (27,851) | Revaluation Reserve | (27,754) |
| (3,252) | Financial Instruments Revaluation Reserve | (1,083) |
| 101,825 | Capital Adjustment Account | 249,603 |
| (30,541) | Deferred Capital Receipts Reserve | (30,140) |
| 48,433 | Pension Reserve | 15,682 |
| (359) | Collection Fund Adjustment Account | (2,861) |
| 302 | Accummulated Absences Account | 332 |
| 88,557 | Balance at 31st March | 203,779 |

### Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its property, plant and equipment assets. The balance is reduced when assets with accumulated gains are:

- Re-valued downwards or impaired and the gains are lost.
- Used in the provision of services and the gains are consumed through depreciation.
- Disposed of and the gains are realised.

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

| 2021/22 £'000 | Revaluation Reserve | 2022/23 £'000 |
|---|---|---|
| (24,005) | Balance at 1st April | (27,851) |
| (4,698) | Changes in valuations | 468 |
| (280) | Depreciation written down on revaluation | (970) |
| 1,132 | Difference between fair value and historic cost depreciation | 599 |
| (27,851) | Balance at 31st March | (27,754) |

### Financial Instruments Revaluation Reserve

This Reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted prices. The balance is reduced when investments with accumulated gains are:

- Revalued upwards/downwards or impaired and the gains are lost.
- Disposed of and the gains are realised.

| 2021/22 £'000 | Financial Instruments Revaluation Reserve | 2022/23 £'000 |
|---|---|---|
| (1,547) | Balance at 1st April | (3,252) |
| (1,705) | Revaluation of investments not charged to the Surplus/Deficit on the Provision of Services | 2,169 |
| (3,252) | Balance at 31st March | (1,083) |

### Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction, or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling posting from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction, and enhancement.

The Account contains the accumulated gains and losses on investment properties and revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 7 (Adjustments between Accounting Basis and Funding Basis under Regulations) provides details of the source of all transactions posted to the account, apart from those involving the Revaluation Reserve.

| 2021/22 £'000 | Capital Adjustment Account | 2022/23 £'000 |
|---|---|---|
| 66,226 | Balance at 1st April | 101,825 |
| | *Reversal of items relating to capital debited or credited to the Comprenhensive Income and Expenditure Statement* | |
| 3,599 | Charges for depreciation and amortisation of non-current assets | 2,917 |
| (1,257) | Changes in the valuation of Property, Plant and Equipment | (937) |
| 23,372 | Changes in the valuation of Investment Property | 160,169 |
| 26,880 | Amounts of non-current assets written off on disposal, derecognition or sale as part of the Gain or Loss on disposal | (43) |
| 52,594 | *Total of amount of items reversed* | 162,106 |
| (1,132) | Adjusting amounts written off of the Revaluation Reserve | (598) |
| 983 | Revenue Expenditure funded from Capital under Statute | 954 |
| | *Capital financing applied in the year* | |
| (727) | Use of Capital Receipts Reseve to finance new capital expenditure | (321) |
| (2,586) | Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | (1,268) |
| (1,206) | Capital Expenditure charged againt the General Fund Balance | (1,000) |
| (12,327) | Minimum revenue provision | (12,095) |
| (16,846) | *Total of amount of capital financing* | (14,684) |
| 101,825 | Balance at 31st March | 249,603 |

### Deferred Capital Receipts Reserve

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

| 2021/22 £'000 | Deferred Capital Receipts Reserve | 2022/23 £'000 |
|---|---|---|
| (3,725) | Balance at 1st April | (30,543) |
| (26,816) | Proceeds from sales | 403 |
| (30,541) | Balance at 31st March | (30,140) |

### Pensions Reserve

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

| 2021/22 £'000 | Pension Reserve | 2022/23 £'000 |
|---|---|---|
| 59,497 | Balance at 1st April | 48,433 |
| (15,671) | Remeasurement of net defined benefits liabilities/(assets) | (36,552) |
| 4,607 | Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement | 3,801 |
| 48,433 | Balance at 31st March | 15,682 |

## Collection Fund Adjustment Account

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

The Collection Fund is accounted for on an agency basis, the Council being the agent in relation to the collection of Council tax and Business rates. The balance showing below reflects the Council's share of the Collection Fund balance at the end of the financial year.

| 2021/22 £'000 | Collection Fund Adjustment Account | 2022/23 £'000 |
|---|---|---|
| 11,342 | Balance at 1st April | (359) |
| (449) | Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from income calculated for the year in accordance with statutory requirements | (114) |
| (11,252) | Amount by which Business Rates income credited to the Comprehensive Income and Expenditure Statement is different from income calculated for the year in accordance with statutory requirements | (2,388) |
| (359) | Balance at 31st March | (2,861) |

## Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g., annual leave entitlement carried forward at 31 March 2023. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

| 2021/22 £'000 | Accummulated Absences | 2022/23 £'000 |
|---|---|---|
| 304 | Balance at 1st April | 302 |
| (2) | Adjustment in-year | 30 |
| 302 | Balance at 31st March | 332 |

## 22. Statement of Cash Flows – Operating Activities

The cash flows for operating activities include the following items:

| 2021/22 £'000 | Operating Activities - interest | 2022/23 £'000 |
|---|---|---|
| (367) | Interest received | (2,407) |
| 24,639 | Interest paid | 25,166 |
| (1,373) | Dividends received | (1,515) |

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

| 2021/22 £'000 | Operating Activities - non-cash movements | 2021/22 £'000 |
|---|---|---|
| (52,595) | Items relating to capital | (1,950) |
| (20,546) | Other non-cash items charged to the net (Surplus)/Deficit on the Provision of Services | 6,017 |
| (73,140) | Cash & Cash Equivalents at the end of the reporting period | 4,067 |

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

| 2021/22 £'000 | Operating Activities - investing or financing items | 2022/23 £'000 |
|---|---|---|
| 1,122 | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (985) |
| 1,762 | Other items for which the cash effects are investing or financing cash flows) | (1,011) |
| 2,884 | | (1,996) |

## 23. Statement of Cash Flows – Investing Activities

| 2021/22 £'000 | Investing Activities | 2022/23 £'000 |
|---|---|---|
| 14,253 | Purchase of property, plant and equipment, investment property and intangible assets | 20,031 |
| (14,706) | Purchase of short-term and long-term investments | 0 |
| (35) | Proceeds from short-term and long-term investments | (25,105) |
| | Other receipts from investing activities | 0 |
| (488) | | (5,074) |

## 24. Statement of Cash Flows – Financing Activities

| 2021/22 £'000 | Financing Activities | 2022/23 £'000 |
|---|---|---|
| (118,500) | Cash receipts of short- and long-term borrowing | 0 |
| (34) | Other receipts from financing activities | (51) |
| 99,628 | Repayments of short- and long-term borrowing | 23,447 |
| (18,906) | | 23,396 |

## 25. Members Allowances

The Council paid £365K (2021/22: £345K) to members of the Council during the year.

## 26. Senior Officers' Remuneration

The Council paid to its senior officers £455,920 (including pensions contributions) during the year. Total payment to Group Head of Corporate Governance is only part year as she joined the Council in September 2022.

| Senior Employees | | | 2022/23 |
|---|---|---|---|
| Title | Pay, fees and allowances | Pension contributions | Total |
| | £ | £ | £ |
| Chief Executive | 136,550 | 22,924 | 159,474 |
| Deputy Chief Executive & Chief Financial Officer | 103,850 | 18,997 | 122,847 |
| Deputy Chief Executive | 99,032 | 18,132 | 117,165 |
| Head of Corporate Governance | 48,540 | 7,894 | 56,434 |

| **Senior Employees** | | | **2021/22** |
|---|---|---|---|
| **Title** | **Pay, fees and allowances** | **Pension contributions** | **Total** |
| | £ | £ | £ |
| Chief Executive | 142,178 | 23,683 | 165,861 |
| Deputy Chief Executive & Chief Financial Officer | 101,511 | 18,153 | 119,664 |
| Deputy Chief Executive | 98,523 | 17,634 | 116,157 |
| Head of Corporate Governance | 72,812 | 13,981 | 86,792 |

Taxable pay is a net figure reflecting additional voluntary contributions, the figures do not therefore in all cases reflect underlying salaries. The Council's other employees receiving more than the £50,000 remuneration for the year (excluding pension contributions) were paid the following amounts:

| 2021/22 | Remuneration banding | | 2022/23 |
|---|---|---|---|
| *no* | £ | £ | *no* |
| 1 | 80,000 | 84,999 | 3 |
| 2 | 75,000 | 79,999 | 1 |
| 2 | 70,000 | 74,999 | 3 |
| 4 | 65,000 | 69,999 | 2 |
| 5 | 60,000 | 64,999 | 4 |
| 4 | 55,000 | 59,999 | 6 |
| 11 | 50,000 | 54,999 | 15 |
| 29 | | | 34 |

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

| Exit packages per cost band (including special paymnts) | | Number of compulsory redundancies | | Number of other departures agreed | | Number of exit packages by cost band | | Total cost of exit packages in each band | |
|---|---|---|---|---|---|---|---|---|---|
| | | 2021/22 | 2022/23 | 2021/22 | 2022/23 | 2021/22 | 2022/23 | 2021/22 | 2022/23 |
| £ | £ | *no* | *no* | *no* | *no* | *no* | *no* | £ | £ |
| 20,001 | 40,000 | | | 1 | | | | 21,925 | |
| 1 | 20,000 | | | | 1 | | | 2,316 | 16,581 |
| | | 0 | 0 | 1 | 1 | 0 | 0 | 24,241 | 16,581 |

There was no compulsory redundancy during the year (2021/22) with the Council

## 27. External Audit Costs

The Council has incurred the following cost in relation to the audit of the Statement of Accounts, Certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditor: Our previous auditors KPMG have now concluded their work on value for money and the final settlement payment has been made.

| 2021/22 £'000 | External Audit Costs | 2022/23 £'000 |
|---|---|---|
| 38 | Fees payable to BDO with regard to external audit services carried out by the appointed auditor for the year | 38 |
| 7 | Fees payable to BDO for the certification of grant claims and returns for the year | 7 |
| 45 | Total for the year | 45 |

## 28. Grant Income

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2022/23:

| 2021/22 £'000 | Grant income | 2022/23 £'000 |
|---|---|---|
| | *Credited to Services* | |
| (2,649) | Grants and contributions | (3,955) |
| (20,839) | Benefit Subsidy | (19,493) |
| (23,488) | Total Credited to Services | (23,449) |
| | *Taxation and Non-specific grant income* | |
| (9,666) | Non-ringfenced grants and contributions | (6,262) |
| (1,762) | Capital grants and contributions | (1,049) |
| (11,428) | Total Taxation and Non-specific Grant Income | (7,312) |

## 29. Related Parties

Under the Code of Practice for Local Authority Accounting, the Council is required to disclose any material transactions with related parties – bodies or individuals, which are not disclosed elsewhere. Examples of related parties to Spelthorne Borough Council include central government, other local Councils, precepting bodies, joint ventures, joint venture partnerships, together with Council Members and Senior Officers, that have the potential to control or influence the Council or to be controlled or influenced by the Council.

Central Government has significant influence over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, providing a significant amount of funding in the form of grants and it prescribes the terms of many of the transactions the Council has with other parties (e.g., housing benefits). Details of balances with government departments are set out in notes 16 (Receivables) and 19 (Payables) above and details of cash received from government grants is set out in note 28 above.

Members of the Council have direct control over the Council's financial and operating policies. Any declarations of interest are properly recorded in the Register of Member's Interests, which is open to public inspection. Several members are connected with local organisations that have dealings with the Council and there were no material related party transactions between the Council and Council members.

Senior officers also have the ability to influence the Council and during 2022/23 there were no related party transactions between the Council and senior officers.

**Applied Resilience**
Applied Resilience is a Public Service Mutual Company set up in 2015/16 to provide risk and resilience services. The Council invested £10,000 in the company at launch equating to a 10% holding. In August 2022, the Council extended the contract for another three years to continue providing emergency planning and resilience services at a cost of £165,000 over the contract.

**Knowle Green Estates Ltd**
Knowle Green Estates Ltd was set up as a subsidiary company of the Spelthorne Borough Council in May 2016 to provide Housing accommodation services to the Council. The company is 100% owned by Spelthorne Borough Council. Note 36 provides more detailed disclosure on Knowle Green Estates Limited. The following Council representatives held office in the Company during the year 2022/23, noting the changes mentioned below that became effective following the Council Meeting held on 25 May 2023:

- Terry Collier, Deputy Chief Executive – Director
- Cllr Satinder Buttar Council representative (Resigned 25 May 2023)
- Cllr Lawrence Nichols (Appointed 25 May 2023)

**Spelthorne Direct Services Ltd**
Spelthorne Direct Services Ltd was established as a 100% owned subsidiary of Spelthorne Borough Council in June 2020 to provide for the collection, treatment and disposal of non-hazardous waste and combined facilities support activities. Note 36 provides more detailed disclosure on Spelthorne Direct Services Ltd. The following Council Representatives held office in the company during the year 2022/23:

- Terry Collier, Deputy Chief Executive – Director (Resigned 19 July 2022)
- Mrs J Taylor, Group Head of Neighbourhood Services – Director
- Mr P L P Taylor Chief Accountant – Director (Appointed 19 July 2022)

## 30. Capital Expenditure and Financing

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

| 2021/22 £'000 | Capital Expenditure and Financing | 2022/23 £'000 |
|---|---|---|
| 1,128,532 | Opening Capital Financing Requirement | 1,117,687 |
| 0 | *Capital Investment* | 0 |
| 4,741 | Property, Plant and Equipment | 4,741 |
| | Heritage Assets | |
| 0 | Investment Property | 0 |
| 279 | Intangible Assets | 227 |
| 983 | Revenue Expenditure funded from Capital under Statute | 954 |
| | Loans to Knowle Green Estates Limited | |
| 6,003 | *Total Capital Investment* | 5,922 |
| | *Sources of Finance* | |
| (727) | Capital Receipts | (321) |
| (2,588) | Capital Grants and Contributions | (1,268) |
| (1,206) | Revenue Contributions | (1,000) |
| (12,327) | Repayment of Debt | (12,095) |
| (16,848) | *Total Sources of Finance* | (14,684) |
| 1,117,687 | Closing Capital Financing Requirement | 1,108,925 |

## 31. Leases

### Council as Lessee

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

| 31 Mar 22 £'000 | Council as Lessee | 31 Mar 23 £'000 |
|---|---|---|
| 501 | Not later than one year | 144 |
| 89 | Later than one year and not later than five years | 6 |
| 590 | Balance at 31st March | 150 |

### Council as Lessor

*Operating Leases*

The Council leases out property and equipment under operating leases for the following purposes:

- For the provision of the community services, such as sports facilities, tourism services and community centres.
- For economic development purposes to provide to suitable accommodation for local businesses.

The future minimum lease payments receivable under non-cancellable leases in future years are;

| 31 Mar 22 £'000 | Council as Lessor | 31 Mar 23 £'000 |
|---|---|---|
| 49,307 | Not later than one year | 46,201 |
| 161,544 | Later than one year and not later than five years | 155,229 |
| 232,572 | Later than five years | 182,355 |
| 443,423 | Balance at 31st March | 383,785 |

The minimum lease payments receivable does not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rents reviews.

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

## 32. Impairment Losses

Paragraph 4.7.4.2(1) of the Code requires disclosure by class of assets of the amounts for impairment losses and impairment reversals charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure. These disclosures are consolidated in note 11 reconciling the movement over the year in the Property, Plant and Equipment and Intangible Asset balances.

## 33. Defined Benefit Pension Schemes

### Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time the employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme (LGPS), administered locally by Surrey County Council. This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

Arrangements for the award of discretionary post- retirement benefits upon early retirement. This is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities and cash has to be generated to meet actual pension payments as they eventually fall due.

## Transactions Relating to Post-employment Benefits

| 2021/22 | IAS19 CI&ES & MiRS | 2022/23 |
|---|---|---|
| *£'000* | | *£'000* |
| | *Comprehensive Income & Expenditure Statement* | |
| | Cost of Services: | |
| 6,909 | Current service cost | 5,743 |
| 0 | Past service cost | 0 |
| | Financing & Investment Income & Expenditure: | |
| 1,222 | Net interest expense | 1,428 |
| 8,131 | Total post-employment benefits charged to the (Surplus)/Deficit on the provision of services | 7,171 |
| | Other Comprehensive Income & Expenditure | |
| (5,488) | Return of plan assets | 4,125 |
| (767) | Acturial gains & losses arising on changes in assumptions | (51,671) |
| (9,670) | Changes in demographic assumptions | (980) |
| 254 | Other remeasurement of defined liability | 8,645 |
| (7,540) | *Total post-employment benefits charged to CI&ES* | (32,710) |
| | *Movement in Reserves Statement* | |
| (8,131) | Reversal of new charges made to the (Surplus)/Deficit on the Provision of Services for post-employment benfits in accordance with the code | (7,171) |
| | Actual amount charged against the General Fund Balance for pensions in-year | |
| 3,524 | Employer's contribution to the scheme | 3,370 |

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against Council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

## Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as follows:

| 31 Mar 22 | Net liability | 31 Mar 23 |
|---|---|---|
| *£'000* | | *£'000* |
| 103,700 | Fair value of plan assets | 100,389 |
| (152,133) | Present value of the defined benefit obligation | (116,071) |
| (48,433) | Net liability arising from defined benefit obligation | (15,682) |

### Reconciliation of the Movements in the fair value of the scheme plan assets

| 2021/22 | Scheme assets | 2022/23 |
|---|---|---|
| *£'000* | | *£'000* |
| 96,310 | *Opening fair value of scheme assets* | 103,700 |
| 1,925 | Interest income | 2,750 |
| | Remeasurement gain/loss: | |
| 5,488 | Return on plan assets, excluding the amount included in net interest expense | (4,125) |
| 3,334 | Contribution from employer | 3,174 |
| 920 | Contribution from employees into the scheme | 851 |
| 0 | Other experience | 0 |
| (4,277) | Benefits paid | (4,333) |
| 103,700 | *Closing fair value of scheme assets* | 102,017 |

### Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

| 2021/22 | Scheme liabilities | 2022/23 |
|---|---|---|
| *£'000* | | *£'000* |
| (155,807) | *Opening value of scheme liabilities* | (152,133) |
| (6,909) | Current service cost | (5,743) |
| 0 | Past Service cost | 0 |
| (3,147) | Interest cost | (4,178) |
| 4,277 | Benefits paid | 4,333 |
| (920) | Contributions from scheme participants | (851) |
| | Acturial gains & losses arising on changes in assumptions | |
| 190 | Liabilities assumed on entity combinations | 196 |
| 10,437 | Changes in demographic/financial assumptions | 52,651 |
| (254) | Other changes in liablities | (8,645) |
| (152,133) | *Closing value of scheme liabilities* | (114,370) |

### Local Government Pension Scheme assets comprised:

| 31 Mar 22 £'000 | Asset category | 31 Mar 23 £'000 |
|---|---|---|
| | *Equity securities* | |
| 1,814.2 | Consumer | 1,576.4 |
| 1,446.5 | Manufacturing | 1,316.1 |
| 321.6 | Energy and utlilities | 504.8 |
| 1,203.4 | Financial institutions | 1,785.1 |
| 1,238.8 | Health and care | 1,561.3 |
| 3,244.9 | Information technology | 2,211.3 |
| 0.0 | Other | 0.0 |
| | *Debt securities* | |
| | Corporate bonds (investment grade) | |
| | Corporate bonds (non-investment grade) | |
| 3,451.5 | Government | 0.0 |
| | Other | |
| | *Private equity* | |
| 10,191.0 | All | 14,216.6 |
| | *Real estate* | |
| 4,137.6 | UK property | 3,692.1 |
| 2,210.3 | Overseas property | 2,357.3 |
| | *Investment Funds and Unit Trusts* | |
| 60,892.5 | Equities | 58,464.4 |
| 11,357.9 | Bonds | 10,869.4 |
| | Other | |
| | *Derivatives* | |
| | Interest rate | |
| (419.9) | Foreign exchange | (267.6) |
| | *Cash & cash equivakents* | |
| 2,609.7 | All | 2,101.8 |
| 103,700 | *Total assets* | 100,389 |

## Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that are payable in future years dependant on assumptions about mortality rates, salary levels etc.

Hymans Robertson LLP is the appointed actuary for the Surrey Superannuation Fund which the Council is a member of. For estimating liabilities, the actuary has selected iBOXX Sterling Non-Gilt Index, one of the five main sterling corporate indices, to determine the discount rate to place a value on the fund’s liabilities.

The principal assumptions used by the actuary have been:

| 2021/22 | Principal assumptions | 2022/23 |
|---|---|---|
| % | | % |
| | ***Long-term expected rate of return on assets in the scheme*** | |
| 4.5 | Equity investments | 4.5 |
| 4.5 | Bonds | 4.5 |
| 4.5 | Property | 4.5 |
| | Cash | |
| *years* | *Mortality assumptions* | *years* |
| | Longevity at 65 for current pensioners | |
| 22.1 | - Men | 21.9 |
| 24.5 | - Women | 24.7 |
| | Longevity at 65 for future pensioners | |
| 23.1 | - Men | 22.6 |
| 26.2 | - Women | 26.1 |
| | *Other assumptions* | |
| 2.5 | Rate of inflation (Consumer Price Index) | 2.5 |
| 4.1 | Rate of increase in salaries | 4.0 |
| 3.2 | Rate of increase in pensions | 3.0 |
| 2.7 | Rate of discounting scheme liabilities | 4.8 |
| 25.0 | Rate of discounting scheme liabilities | 25.0 |
| 0.0 | Take-up of option to convert annual pension to retirement lump sum | 0.0 |

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

| Change in assumptions | % | Increase in assumption *£'000* | Decrease in assumption *£'000* |
|---|---|---|---|
| Rate of increases in salaries | 0.1 | 167 | |
| Rate of increases in pensions | 0.1 | 1,668 | |
| Decrease in rate for discounting scheme liabilities | 0.1 | | 1,809 |

**Impact on the Council's Cash Flows**

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. Funding levels are monitored on an annual basis. The last triennial revaluation was valued as at 31 March 2022.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the act, the Local Government Pension Scheme in England and Wales and the other main existing public services schemes may not provide benefits in relation to service after 31 March 2016 (or service after 31 March 2017 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Council anticipated to pay £3.5m expected contributions to the scheme in 2023/24 (2022/23: £3.3m).

The weighted average duration of the defined benefit obligation for scheme members is 23.6 years for 2022/23 (2021/22: 19.0 years).

## 34. Contingent Liabilities

Mortgage guarantees on shared ownership properties which will only occur if the mortgagee's default on payment and any charge to the Council will be accounted for at that time. No specific provision has been made in the accounts for this and this was the same for 2021/22.

There may in the future be employment claims relating to employment periods prior to 31 March 2023 and similarly there may arise planning appeals. No specific provisions have been made to cover these possible eventualities, and this was the same for 2021/22.

If there is a decision not to extend the Waterfront contract, there may be a future claim against the Council for any losses reasonably and properly incurred arising from such a decision.

On 25 May 2023 the Council received a significant claim for damages at one of its housing developments, run by its subsidiary, following an accident and there may be a future claim against the Council

## 35. Contingent Assets

There are no contingent assets.

## 36. Subsidiary Companies

### Knowle Green Estates Limited

**FINANCIAL PERFORMANCE**

Draft unaudited accounts for the year ending 31 March 2023 indicate a profit for the year of £803k (2021/22: £3,465k profit) after tax, this was due to an increase in the property valuation of £2,050k, (2021/22: £4,052k) and the Directors expect this upward trend in property valuation to continue for the foreseeable future. Cash balances are unaffected by this paper gain in valuations as KGE has no intention of selling any assets in the short to medium term. Rental income grew in the year to £1,147k (2020/21: £781k).

### Spelthorne Direct Service Limited

**FINANCIAL PERFORMANCE**

The company is moving forward in a positive direction following the relaxation of COVID-19 restrictions and this has seen the client base rise significantly, including obtaining a prestigious contract with a private estate. Turnover for the year was £353k (2021/22: £199k).

Draft unaudited accounts for the year ending 31 March 2023 indicate a profit for the year of £52k (2021/22: £58k profit). This is to be expected during the early years of growth as the company takes on additional fixed costs, such as, labour, marketing etc., as the company is growing its sales, which will materialise a few months after these costs have been incurred.

## 37. Post Balance Sheet Events

The Statement of Accounts was authorised for issue by the Director of Finance and Deputy Chief Executive on ……….2022 Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing on 31 March 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## 38. Collection Fund

The Collection Fund reflects the statutory obligation for billing Councils to maintain a separate Collection Fund. The statement shows the transactions of the billing Council in relation to the collection from taxpayers and distribution to local Councils and the Government of Council tax and non-domestic rates.

| Total | Collection Fund | Business rates | Council tax | Total |
|---|---|---|---|---|
| 2021/22 | | 2022/23 | 2022/23 | 2022/23 |
| £'000 | | £'000 | £'000 | £'000 |
| | Income | | | |
| (82,627) | Council tax receivable | | (82,668) | (82,668) |
| (40,277) | Business rates receivable | (44,856) | | (44,856) |
| 12 | Transitional protection | (126) | | (126) |
| | Government grant | | (3) | (3) |
| | Contribution received based on Deficit | | | |
| (9,619) | Spelthorne Borough Council | (4,063) | 0 | (4,063) |
| (3,722) | Surrey County Council | (1,016) | (1,006) | (2,022) |
| (244) | Surrey Police & Crime Commisioner | | (177) | (177) |
| (11,793) | Central Government | (5,079) | | (5,079) |
| | Demand, precepts and shares | | | |
| 25,169 | Spelthorne Borough Council | 17,692 | 8,550 | 26,241 |
| 64,731 | Surrey County Council | 4,423 | 63,792 | 68,214 |
| 11,141 | Surrey Police & Crime Commisioner | | 11,593 | 11,593 |
| 21,461 | Central Government | 22,115 | | 22,115 |
| | Contributions based on Collection Fund Surpluses | | | |
| 0 | Spelthorne Borough Council | | (117) | (117) |
| 0 | Surrey County Council | | | 0 |
| 0 | Surrey Police & Crime Commisioner | | | 0 |
| 0 | Central Government | | | 0 |
| | Charges to the Collection Fund | | | |
| 4 | Write-offs | 31 | 0 | 31 |
| (1,344) | Increase/(decrease) in Bad Debt Provision | 3,145 | (1,126) | 2,019 |
| (4,426) | Increase/(decrease) in Provision for Appeals | 1,642 | | 1,641 |
| 122 | Cost of Collection | 120 | | 120 |
| (31,412) | (Surplus)/Deficit arising during the year | (5,970) | (1,161) | (7,137) |
| | Movement on the Collection Fund | | | |
| 29,617 | (Surplus)/Deficit brought forward | (585) | (1,202) | (1,787) |
| (31,405) | (Surplus)/Deficit arising during the year | (5,970) | (1,161) | (7,132) |
| (1,788) | (Surplus)/Deficit carried forward | (6,555) | (2,363) | (8,919) |

## 39. Council Tax

The Tax Base is the number of banded properties that the Council uses to set the Council Tax. It is the total number of properties in the borough weighted by reference to the Council Tax bands, which range from A to H. The Tax Base is calculated using the equivalent number of Band D dwellings. The tax base as at 1 April 2022 was:

| Valuation band | Number of dwellings on Valuation List | Number of chargeable dwellings | Ratio to band D | Band D equivalents |
|---|---|---|---|---|
| A- | | 1 | 5/9 | 1 |
| A | 413 | 305 | 6/9 | 204 |
| B | 1,688 | 1,147 | 7/9 | 892 |
| C | 9,534 | 7,180 | 8/9 | 6,382 |
| D | 14,763 | 12,679 | 9/9 | 12,679 |
| E | 9,897 | 9,030 | 11/9 | 11,036 |
| F | 4,563 | 4,259 | 13/9 | 6,152 |
| G | 2,123 | 2,010 | 15/9 | 3,351 |
| H | 110 | 107 | 18/9 | 213 |
| Total | 43,091 | 36,717 | | 40,910 |
| | Number of band D equivalents in lieu | | | 40 |
| | Allowance for losses on collection and appeals | | 3.00% | (1,229) |
| | Council Taxbase for 2022/23 | | | 39,722 |

## 40. Non-Domestic Rates

Non-domestic rates receivable is based on local rateable values multiplied by a national non-domestic rate multiplier. The total non-domestic rateable value as at 31 March 2023 was £111,700,570 (2021/22: £114,981,935) and the national non-domestic rate multiplier for 2022/23 was£0.511 and £0.499 for small businesses (2021/22 was £0.512 and £0.499)

## 41. Group Accounts

### Introduction

For a variety of legal, regulatory and other reasons, a local authority chooses (or is required) to conduct their activities not through a single legal entity but through two or more legal entities which fall under its ultimate control. For this reason, the financial statements of the local authority do not necessarily, in themselves, present a full picture of its economic activities or financial position. Because of this, The Code of Practice requires a local authority to prepare group accounts if it has a control over one or more other legal entities. The aim of the group accounts is to give an overall picture of the extended services and economic activity that is under the control of the local authority.

Spelthorne Borough Council (the reporting authority) has two wholly owned subsidiary companies:

- *Knowle Green Estates Limited (KGE) - The purpose of the company is to hold investments in residential property around the borough.*

- *Spelthorne Direct Services (SDS), Incorporated on 29 June 2020. The purpose of the company is the collection, treatment and disposal of non-hazardous waste.*

### Basis of consolidation

The Group Comprehensive Income & Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet and the Group Cash Flow Statement have been prepared by consolidating the accounts of the Council and its subsidiaries on a line-by-line basis.

The accounts of the subsidiaries have been prepared using similar accounting policies and practices to that of the Council. However, some accounting policies and practices do differ in some respects from the Council's due to legislative requirements. The accounts of the subsidiaries have been prepared in accordance with the provisions of Section 1A "Small Entities" of Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice). Any material differences are highlighted within the accounts themselves.

The financial statements of the subsidiaries have been prepared under the historical cost convention modified by revaluation of non-current assets.

## Group Comprehensive Income & Expenditure Statement

| | 2021/22 | | Group CI&ES | | | 2022/23 | |
|---|---|---|---|---|---|---|---|
| Expenditure | Income | Total | | | Expenditure | Income | Total |
| £'000 | £'000 | £'000 | | Notes | £'000 | £'000 | £'000 |
| 32,673 | (26,242) | 6,431 | Community Wellbeing & Housing | | 34,002 | (27,628) | 6,374 |
| 8,846 | (2,816) | 6,030 | Corporate Policy and Resources | | 7,945 | (4,069) | 3,876 |
| 534 | (789) | (255) | Economic Development | | 576 | (656) | (80) |
| 6,713 | (1,749) | 4,964 | Environment & Sustainability | | 2,071 | (620) | 1,451 |
| 6,433 | (2,130) | 4,303 | Neighbourhood Services | | 10,725 | (4,276) | 6,449 |
| 4,775 | (563) | 4,212 | Regulatory Administrative Comm | | 9,355 | (1,857) | 7,498 |
| 59,974 | (34,289) | 25,685 | **Cost of Services** | | 64,674 | (39,106) | 25,568 |
| 26,881 | (28,012) | (1,131) | Other Operating Income & Expenditure | | 0 | (985) | (985) |
| 51,421 | (55,091) | (3,670) | Financing & Investment Income & Expenditure | | 190,863 | (56,573) | 134,290 |
| 26,930 | (48,298) | (21,368) | Taxation & Non-specific Grant Income | | 21,991 | (36,211) | (14,220) |
| 165,206 | (165,690) | (484) | **(Surplus)/Deficit on the Provision of Services** | | 277,528 | (132,875) | 144,653 |
| | | (4,978) | (Surplus)/Deficit on revaluation of Property, Plant & Equipment | | | | (2,632) |
| | | 0 | Impairment Losses on non-current assets charged to the Revaluation | | | | 0 |
| | | (1,705) | (Surplus)/Deficit from investments in equity instruments designated at fair value through other comprehensive income | | | | 2,169 |
| | | (15,671) | Remeasurement of the the defined net defined benefit liability/(asset) | | | | (36,552) |
| | | 1 | Tax loss on Company loss | | | | |
| | | (22,353) | **Other Comprehensive Income & Expenditure** | | | | (37,015) |
| | | (22,837) | **Total Comprehensive Income & Expenditure** | | | | 107,638 |

## Group Movement in Reserves Statement

| Group Movement in Reserves Statement | General Reserves | Capital Receipts Reserves | Capital Grants Unapplied | Total Usable Reserves | Total Unusable Reserves | Total Group Reserves |
|---|---|---|---|---|---|---|
| 2022/23 | *£'000* | *£'000* | *£'000* | *£'000* | *£'000* | *£'000* |
| Balance brought forward 1st April | (65,243) | (468) | (1,995) | (67,706) | 85,236 | 17,530 |
| Movements in-year | | | | | | |
| Total Comprehensive Income & Expenditure | 143,793 | | | 143,793 | (34,885) | 108,908 |
| Adjustments between KGE & SDS | 861 | | | 861 | (2,130) | (1,269) |
| Net before adjustments | 144,654 | | | 144,654 | (37,015) | 107,639 |
| Adjustments between accounting & funding basis under regulations | (149,271) | (1,068) | 219 | (150,120) | 150,120 | 0 |
| (Increase)/Decrease in-year | (4,617) | (1,068) | 219 | (5,466) | 113,105 | 107,639 |
| Balance carried forward 31st March | (69,860) | (1,536) | (1,776) | (73,172) | 198,341 | 125,169 |

## Group Balance Sheet

| 31 Mar 22 | Group Balance Sheet | Notes | 31 Mar 23 |
|---|---|---|---|
| *£'000* | | | *£'000* |
| 129,711 | Property, Plant & Equipment | | 185,094 |
| 215 | Heritage Assets | | 209 |
| 916,375 | Investment Property | | 755,206 |
| 336 | Intangible Assets | | 365 |
| 35,871 | Long-term Investments | | 4,938 |
| 31,486 | Long-term Receivables | | 31,474 |
| 1,113,994 | **Long-term Assets** | | 977,286 |
| 40,477 | Short-term Investments | | 15,291 |
| 25 | Inventories | | 28 |
| 21,259 | Short-term Receivables | | 8,710 |
| 52,953 | Cash & Cash Equivalents | | 44,030 |
| 114,714 | **Current Assets** | | 68,059 |
| (44,678) | Short-term Borrowing | | (30,238) |
| (77,489) | Short-term Payables | | (53,047) |
| (1,353) | Short-term Provisions | | (1,364) |
| (123,520) | **Current Liabilities** | | (84,649) |
| 0 | Long-term Provisions | | (1,430) |
| (1,077,472) | Long-term Borrowing | | (1,068,754) |
| (48,433) | Other Long-term Liabilities | | (15,682) |
| (1,125,905) | **Long-term Liabilities** | | (1,085,866) |
| (20,717) | **Net Assets** | | (125,169) |
| (67,838) | Usable Reserves | | (73,172) |
| 88,555 | Unusable Reserves | | 198,341 |
| 20,717 | **Total Reserves** | | 125,169 |

## Group Cash Flow Statement

| 2021/22 £'000 | Group Cash Flow Statement | Notes | 2022/23 £'000 |
|---|---|---|---|
| (484) | Net (Surplus)/Deficit on the Provision of Services | | 144,654 |
| (73,140) | Adjustments to net (surplus)/deficit on the Provision of Services for non-cash movements | | (154,724) |
| 2,884 | Adjustments to net (surplus)/deficit on the Provision of Services that are Investing and Financing Activities | | 2,615 |
| (70,740) | Net Cash Flow from Operating Activities | | (7,455) |
| 5,020 | Investing Activities | | (7,568) |
| 22,571 | Financing Activities | | 24,179 |
| (43,149) | Net (increase)/decrease in Cash & Cash Equivalents | | 9,156 |
| 11,584 | Cash & Cash Equivalents at the beginning of the reporting period | | 53,186 |
| 43,149 | Net increase/(decrease) in Cash & Cash Equivalents | | (9,156) |
| 54,733 | Cash & Cash Equivalents at the end of the reporting period | | 44,030 |

## Group Accounting policies

The Group Accounts have been prepared on the basis of a full consolidation of the financial transactions and balances of the Council and its subsidiaries and adopt the same accounting policies as set out in the Statement of Accounts of the single entity shown earlier and the additional policies highlighted below.

Any gains and losses arising from these companies are fully reflected in the Group Statements comprising of the Comprehensive Income and Expenditure Statement, Expenditure and Funding Analysis, Balance Sheet, Movement in Reserves Statement, Cash flow Statement and associated disclosure notes.

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

### 1.1 Additional policies for Group Accounts

#### 1.1.1 Taxation

Deferred Taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

1.1.2 Internal charges against the Group Comprehensive Income and Expenditure Reserve/intra group charges Cash and Cash Equivalents

There are intra-group charges which will be eliminated via consolidation such as Directors and Officer time allocations and other sundry transfer charges, dividend appropriations, loan interest and fee set up costs, and other ancillary intra-group charges as per agreed between the Directors of each subsidiary company.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance.

Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

## Glossary of terms

**AAA RATING**

Highest credit quality - ‘AAA’ ratings denote the lowest expectation of credit risk. They are assigned only in case of exceptionally strong capacity for timely payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

AA RATING

Very high credit quality - ‘AA’ ratings denote a very low expectation of credit risk. They indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

A RATING

High credit quality - ‘A’ ratings denote a low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.

ACCOUNTING PERIOD

The period of time covered by the accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

ACCOUNTING POLICIES

Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through:

- recognising,
- selecting measurement bases for, and
- presenting assets, liabilities, gains, losses and changes to reserves.

Accounting policies do not include estimation techniques.

Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured; and where in the accounts it is to be presented.

ACCRUALS

Sums included in the final accounts to recognise revenue and capital income and expenditure earned or incurred in the financial year, but for which actual payment had not been received or made as at 31 March.

ACTUARIAL GAINS AND LOSSES

For a defined benefit pension scheme, the changes in actuarial surpluses or deficits that arise because:

· Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or

· The actuarial assumptions have changed

ASSET

An item having value to the authority in monetary terms. Assets are categorised as either current or non-current

- A current asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock);
- A non-current asset provides benefits to the Authority and to the services it provides for a period of more than one year and may be tangible e.g. a community centre, or intangible, e.g. computer software licences.

AUDIT OF ACCOUNTS

An independent examination of the Authority's financial affairs.

BALANCE SHEET

A statement of the recorded assets, liabilities and other balances at the end of the accounting period.

BORROWING

Using cash provided by another party to pay for expenditure, on the basis of an agreement to repay the cash at a future point, usually incurring additional interest charges over and above the original amount.

BUDGET

The forecast of net revenue and capital expenditure over the accounting period.

CAPITAL EXPENDITURE

Expenditure on the acquisition of a fixed asset, which will be used in providing services beyond the current accounting period, or expenditure which adds to and not merely maintains the value of an existing fixed asset.

CAPITAL FINANCING

Funds raised to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

CAPITAL PROGRAMME

The capital schemes the Authority intends to carry out over a specific period of time.

CAPITAL RECEIPT

The proceeds from the disposal of land or other fixed assets. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by the government but they cannot be used to finance revenue expenditure.

CIPFA

The Chartered Institute of Public Finance and Accountancy

CODE

The ‘Code of Practice on Local Authority Accounting in the United Kingdom’ (the Code) is based on International Financial Reporting Standards (IFRSs) and has been developed by the CIPFA/LASAAC Code Board under the oversight of the Financial Reporting Advisory Board. It constitutes a ‘proper accounting practice’ under the terms of Section 21(2) of the Local Government Act 2003.

COLLECTION FUND

A separate fund that records the income and expenditure relating to Council Tax and non-domestic rates.

COMMUNITY ASSETS

Assets that the Authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historical buildings.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The account of the Authority that reports the net cost for the year of the functions for which it is responsible and demonstrates how that cost has been financed from precepts, grants and other income.

CONSISTENCY

The concept that the accounting treatment of like items within an accounting period and from one period to the next are the same.

CONTINGENT ASSET

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority’s accounts.

CONTINGENT LIABILITY

A contingent liability is either:

· A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority’s control; or

· A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

CORPORATE AND DEMOCRATIC CORE

The corporate and democratic core comprises all activities that local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

COUNCIL TAX

A local tax levied by local Councils on its residents.

CREDITOR

Amount owed by the Council and unpaid at the balance sheet date in respect of work done, goods received or services rendered before the end of the accounting period, with the actual payment being made in the next financial year.

CURRENT SERVICE COST (PENSIONS)

The increase in the present value of a defined benefits pension scheme's liabilities, expected to arise from employee service in the current period.

DEBTOR

Amount owed to the Council and unpaid at the balance sheet date.

DEFINED BENEFIT PENSION SCHEME

Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

DEPRECIATION

The measure of the cost of wearing out, consumption or other reduction in the useful economic life of the Authority's fixed assets during the accounting period, whether from use, the passage of time or obsolescence through technical or other changes.

DLUHC

Acronym for the Department of Levelling Up, Communities and Housing

DISCRETIONARY BENEFITS (PENSIONS)

Retirement benefits, which the employer has no legal, contractual or constructive obligation to award and are awarded under the Authority's discretionary powers such as the Local Government (Discretionary Payments) Regulations 1996.

EQUITY

The Authority's value of total assets less total liabilities.

EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

EXPECTED CREDIT LOSS PROVISION

A debt that the Council is unlikely to recover.  A provision is made in the accounts for doubtful debts each year based on how long debts have been outstanding.

EXPECTED RETURN ON PENSION ASSETS

For a funded defined benefit scheme, this is the average rate of return, including both income and changes in fair value but net of scheme expenses, which is expected over the remaining life of the related obligation on the actual assets held by the scheme.

FAIR VALUE

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction.

FINANCE LEASE

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

FINANCIAL REPORTING STANDARD (FRS)

Accounting standards governing the treatment and reporting of income and expenditure in an organisation's accounts.

GENERAL FUND

The division of the Council's accounts covering services paid for by the precept on the Collection Fund (Council Tax).

GOING CONCERN

The concept that the Statement of Accounts is prepared on the assumption that the Authority will continue in operational existence for the foreseeable future.

GOVERNMENT GRANTS

Grants made by the government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Authority. These grants may be specific to a particular scheme or may support the revenue spend of the Authority in general.

HERITAGE ASSETS

Heritage asset are assets with historic, artistic, scientific, technological, geophysical, or environmental qualities held and maintained principally for its contribution to knowledge and culture.

HOUSING BENEFITS

A system of financial assistance to individuals towards certain housing costs administered by authorities and subsidised by central government.

HOUSING REVENUE ACCOUNT (HRA)

A separate account to the General Fund, which includes the income and expenditure arising from the provision of housing accommodation by the Authority.

IMPAIRMENT

A reduction in the value of a fixed asset to below its recoverable amount, the higher of the asset's fair value less costs to sell and its value in use.

INFRASTRUCTURE ASSETS

Fixed assets belonging to the Authority that cannot be transferred or sold on which expenditure is only recoverable by the continued use of the asset created. Examples are highways, footpaths, and bridges.

INTANGIBLE ASSETS

An intangible (non-physical) item may be defined as an asset when access to the future economic benefits it represents is controlled by the reporting entity. This Authority's intangible assets comprise computer software licences.

INTEREST COST (PENSIONS)

For a defined benefit scheme, the expected increase during the period of the present value of the scheme liabilities because the benefits are one period closer to settlement.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Accounting practices recommended by the major accounting bodies and applied internationally.

INVENTORY

Items of raw materials and stores an authority has procured and holds in expectation of future use. Examples are consumable stores, raw materials and products and services in intermediate stages of completion.

INVESTMENTS (PENSION FUND)

The investments of the Pension Fund will be accounted for in the statements of that fund. However, authorities are also required to disclose, as part of the disclosure requirements relating to retirement benefits, the attributable share of the pension scheme assets associated with their underlying obligations.

LASAAC

The Local Authority (Scotland) Accounts Advisory Committee (LASAAC) is an independent committee that develops and promotes proper accounting practice for local government in Scotland.

LIABILITY

A liability is where the Authority owes payment to an individual or another organisation.

· A current liability is an amount which will become payable or could be called in within the next accounting period, e.g. creditors or cash overdrawn.

· A deferred liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

LIQUID RESOURCES

Current asset investments that are readily disposable by the Authority without disrupting its business and are either:

· Readily convertible to known amounts of cash at or close to the carrying amount; or

· Traded in an active market.

LONG-TERM CONTRACT

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken to substantially complete the contract is such that the contract activity falls into more than one accounting period.

MATERIALITY

The concept that the Statement of Accounts should include all amounts which, if omitted, or mis-stated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.

MINIMUM REVENUE PROVISION (MRP)

The minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Authority.

NET BOOK VALUE

The amount at which fixed assets are included in the Balance Sheet, i.e., their historical costs or current value less the cumulative amounts provided for depreciation.

NET DEBT

The Authority's borrowings less cash and liquid resources.

NON-DISTRIBUTED COSTS

These are overheads for which no user now benefits and as such are not apportioned to services.

NON-DOMESTIC RATES (NDR)

The Non-Domestic Rate is a levy on businesses, based on a national rate in the pound set by central government and multiplied by the assessed rateable value of the premises they occupy. In England it is collected by the Authority on behalf of itself, central government, and major preceptors. In Scotland it is collected by the Authority on behalf of central government and then redistributed back to support the cost of services.

NON-OPERATIONAL ASSETS

Fixed assets held by the Authority but not directly occupied, used, or consumed in the delivery of services. Examples are investment properties, assets under construction or assets surplus to requirements pending sale or redevelopment.

OPERATING LEASE

A lease where the ownership of the fixed asset remains with the lessor.

OPERATIONAL ASSETS

Fixed assets held and occupied, used or consumed by the Authority in the pursuit of its strategy and in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

PAST SERVICE COST (PENSIONS)

For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to retirement benefits.

PENSION SCHEME LIABILITIES

The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured during the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

PRECEPT

The levy made by precepting authorities by billing authorities, requiring the latter to collect income from Council Tax on their behalf.

PRIOR YEAR ADJUSTMENT

Material adjustments applicable to previous years arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

PROVISION

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

PUBLIC WORKS LOAN BOARD (PWLB)

A Central Government Agency, which provides loans for one year and above to authorities at interest rates only slightly higher than those at which the government can borrow itself.

RATEABLE VALUE

The annual assumed rental of a hereditament, which is used for NNDR purposes.

REDUCING BALANCE DEPRECIATION

Depreciation on an asset is charged at a higher percentage rate in the earlier years of an asset and the amount of depreciation reduces as the life of the asset progresses.

RELATED PARTIES

There is a detailed definition of related parties in FRS 8. For the Council's purposes related parties are deemed to include the Authority's members, the Chief Executive, its directors and their close family and household members.

RELATED PARTY TRANSACTIONS

The Statement of Recommended Practice requires the disclosure of any material transactions between the Authority and related parties to ensure that stakeholders are aware when these transactions occur and the amount and implications of such.

REMUNERATION

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits. Received other than in cash. Pension contributions payable by the employer are excluded.

RESERVES

The accumulation of surpluses, deficits, and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Authority. Some capital reserves such as the fixed asset restatement account cannot be used to meet current expenditure.

RESIDUAL VALUE

The net realisable value of an asset at the end of its useful life.

RETIREMENT BENEFITS

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

REVENUE EXPENDITURE

The day-to-day expenses of providing services.

REVENUE EXPENDITURE CAPITALISED UNDER STATUTE (REFCUS)

Expenditure which ordinarily would be revenue, but is statutorily defined as capital. Examples of REFCUS include grants of a capital nature to voluntary organisations and back pay expenditure capitalised under Secretary of State Direction.

REVENUE SUPPORT GRANT

A grant paid by Central Government to authorities, contributing towards the general cost of their services.

STRAIGHT-LINE BASIS

Dividing a sum equally between several years.

TEMPORARY BORROWING

Money borrowed for a period of less than one year.

TRUST FUNDS

Funds administered by the Authority for such purposes as prizes, charities, specific projects and on behalf of minors.

USEFUL ECONOMIC LIFE (UEL)

The period over which the Authority will derive benefits from the use of a fixed asset.