



Please reply to:

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Date: 01 July 2022

Notice of meeting

Corporate Policy and Resources Committee

Date: Monday, 11 July 2022

Time: 7.00 pm

Place: Council Chamber, Council Offices, Knowle Green, Staines-upon-Thames TW18 1XB

To the members of the Corporate Policy and Resources Committee

Councillors:

J.R. Boughtflower (Chairman)	M. Beecher	S.C. Mooney
A.J. Mitchell (Vice-Chairman)	J.T.F. Doran	L. E. Nichols
M.M. Attewell	S.A. Dunn	R.J. Noble
C.F. Barnard	T. Fidler	J.R. Sexton
I.J. Beardsmore	H. Harvey	V. Siva

Substitute Members: Councillors C. Bateson, S. Buttar, J. Button, N.J. Gething,
M. Gibson, T. Lagden, V.J. Leighton, O. Rybinski,
J. Vinson and S.J Whitmore

Councillors are reminded that the Gifts and Hospitality Declaration book will be available outside the meeting room for you to record any gifts or hospitality offered to you since the last Committee meeting.

Spelthorne Borough Council, Council Offices, Knowle Green

Staines-upon-Thames TW18 1XB

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Agenda

Page nos.

1. Apologies and Substitutes

To receive apologies for absence and notification of substitutions.

2. Minutes

5 - 12

To confirm the minutes of the meeting held on 20 April 2022 as a correct record.

3. Disclosures of Interest

To receive any disclosures of interest from councillors in accordance with the Council's Code of Conduct for members.

4. Questions from members of the Public

The Chair, or his nominee, to answer any questions raised by members of the public in accordance with Standing Order 40.

5. Ward Issues

To consider any issues raised by ward councillors in accordance with Standing Order 34.2.

6. Shared Prosperity Fund

13 - 20

This report sets out the work of the task group.

The appendices to this report are to follow.

7. Surrey Delivery Board

To receive a verbal update.

8. Procurement of Waste and Street Cleansing Vehicles

21 - 30

This report seeks authority to commence a procurement exercise for new waste and street cleansing vehicles following an assessment of the Council's existing fleet.

9. Disabled Facilities Grant Policy

31 - 40

This report seeks to gain approval for a new policy for the implementation of disabled facility grants (DFG) and expenditure of the Better Care Fund on aids and adaptations for disabled residents.

- 10. Procedures for dealing with applications to extend Council owned assets or develop on Council land**
- To follow.
- 11. Update for the Estimated Capital Programme 2022/23 to 2025/26** **41 - 48**
- This report updates the Council approved Estimated Capital Programme for 2022/23 to 2025/26 to reflect the approved capital projects which were expected to complete by 31 March 2022, but did not, and those that were expected to complete after 1 April and were finalised by 31 March 2022.
- 12. Treasury Management Outturn report** **49 - 72**
- This report covers treasury activity and the monitoring and control of associated risks.
- 13. Q4 Capital Monitoring Report**
- To follow.
- 14. Q4 Revenue Monitoring Report**
- To follow.
- 15. Draft Unaudited Accounts 2021/22** **73 - 186**
- To note the draft unaudited financial statements.
- 16. 22/23 Budget Pressures Due To Inflation** **187 - 194**
- This report sets out various budgetary pressures that are due to the rate of inflation.
- 17. 23/24 Budget Setting Process** **195 - 202**
- This report sets out the issues and proposed timetable for the 2023/24 budget setting process, which includes streamlining the reporting process, by aligning all service plans to the current Corporate Plan and requesting that growth and savings bids are reflected in each cost centre's service plan.
- 18. Membership of the Collaborative Working Group**
- To follow.
- 19. LGA Corporate Peer Challenge** **203 - 208**
- This report provides the Committee with additional background information on the process and progress with preparations for the Corporate Peer Challenge.

20. Recovery Action Plan

To receive a verbal update on the Recovery Action Plan.

21. Forward Plan

To consider the Forward Plan for committee business. There are currently no items scheduled for future committees.

22. Urgent Actions

To note those urgent actions which have been taken by the Chief Executive in consultation with the Leader since the last Corporate Policy and Resources meeting on 20 April 2022.

- Lease to Argos Ltd; 1-2 Friends Walk, Staines

**Minutes of the Corporate Policy and Resources Committee
20 April 2022**

Present:

Councillor L. E. Nichols (Chairman)
Councillor J.R. Sexton (Vice-Chairman)

Councillors:

C.F. Barnard	A. Brar	S.C. Mooney
I.J. Beardsmore	S.M. Doran	O. Rybinski
M. Beecher	V.J. Leighton	

Substitutions: Councillors M.M. Attewell (in place of N.J. Gething)
C. Bateson (in place of S.A. Dunn)

Apologies: Councillors J.R. Boughtflower and N. Islam

In Attendance: Councillor R.W. Sider BEM.

48/22 Apologies and Substitutes

As above.

49/22 Minutes

The minutes of the meetings held on 7 February 2022 and 14 March 2022 were agreed as a correct record.

50/22 Disclosures of Interest

Councillor Attewell declared that she was a councillor and deputy cabinet member at Surrey County Council.

Councillor Mooney declared that she was a councillor and cabinet member at Surrey County Council.

Councillor Sexton declared that she was a councillor at Surrey County Council.

51/22 Questions from members of the Public

There were none.

52/22 Ward Issues

There were none.

53/22 Surrey Forum and Surrey Partnership Boards

Councillor Tim Oliver, Leader for Surrey County Council (SCC), was present for this item. He provided an overview of the County Deal that SCC was hoping to secure from the government. Whilst SCC negotiated with the government directly, proposals would be developed through collaborative working with district councils across the county. As such, it was hoped that one of the district councils would hold the chairmanship of the delivery board. The leader and chief executive of each district would also be members of the delivery board. It was stated that the sovereignty of district councils would not be impacted by the proposed county deal.

SCC was hoping to have a deal in place before the county elections in 2025. The main priorities for SCC in pursuing a county deal included developing the area's economy, delivering green initiatives and improving transport across the county. There would be engagement with residents when proposals had been developed further.

The Committee discussed the proposals. There was general support for moving forward collaboratively, although members wished to ensure that the resultant county deal respected each district's sovereignty and civic identity. It was also hoped that it would provide a route to share good practice between participants in the county deal.

The Committee thanked Councillor Oliver for attending.

The Committee:

1. Noted Surrey County Council's existing governance structure and its relationship in terms of any future County Deal, and the role of this Spelthorne Borough Council within the structure.
2. Noted the composition of the Surrey Forum, the One Growth Surrey Board, the Greener Future Board, the Health and Wellbeing Board and the Surrey Delivery Board, and that they are already operational (with the only exception being Thriving Communities).

3. Noted the suggested timeline for the implementation of a County Deal (if one was agreed) of Spring 2023.
4. Agreed that Spelthorne Borough Council should provide full active engagement in exploring the potential benefits of a future County Deal, in accordance with paragraphs 4.5 – 4.8 of the report.
5. Agreed that the Terms of Reference of the Collaborative Working Group be amended in accordance with report, and that the membership of the Collaborative Working Group be reviewed at the next ordinary meeting of the Corporate Policy and Resources Committee.
6. Agreed that update reports be put to the Corporate Policy and Resources Committee setting out the current and future work of the Surrey Delivery Board.

54/22 Knowle Green Estates – repatriation of profits and cashflow to Spelthorne Borough Council

The estimated figures provided in the report would be affected by future Council decisions on the Oast House and Thameside developments. Legal agreements would be drawn up once there was certainty over these projects as they would have a significant impact on the portfolio of properties that KGE was responsible for.

The tax liabilities associated with each method for repatriating profits were set out in the officer's report. It was confirmed that the preferred option had been discussed with HMRC.

The Committee noted the options available to the Council for the repatriation of funds from Knowle Green Estates Ltd to Spelthorne Borough Council and the estimated potential annual cash inflow.

55/22 Key Performance Indicator Report

The Key Performance Indicators (KPIs) were reviewed by the Committee. It was noted that a significant number had been adversely affected by Covid-19, which meant that it was difficult to draw meaningful conclusions on whether there been improvements in some of the services provided. Where it was possible to track trends, some areas had seen significant improvements in their KPIs, for which they were thanked by the Committee.

It was suggested that a set of KPIs with a community focus be published.

The Committee agreed the KPIs to be reported on a quarterly and annual basis to both the Corporate Policy and Resources Committee and relevant Committees.

56/22 Corporate Peer Review

The peer review would be provided as part of Spelthorne's subscription to the Local Government Association (LGA). Such reviews were intended to provide a valuable 'health check' for local authorities and it was recommended that one be undertaken every few years.

The Committee agreed to a LGA Corporate Peer Challenge being undertaken in September/October (subject to Peer availability).

57/22 Recovery Action Plan

The Committee noted the update to the Recovery Action Plan.

58/22 Corporate Risk Management - Recommendation from the Audit Committee

Corporate risk management was periodically reviewed by the Audit Committee. Whilst the risk register was a 'living' document, it could take time for updates to be made, particularly when they were impacted by numerous areas of the council. It was however important for service committees to be aware of key risks in their areas of responsibility.

The Corporate Policy and Resources Committee endorsed the recommendation of the Audit Committee for service committees to have oversight of risks relevant to their terms of reference.

59/22 Internal Audit Review of the Committee System

The audit review of the committee system had taken place at the same time as a member led review. Consequently, some workstreams had already been started separately. The audit review considered the robustness of the committee system and whether it was delivering on its specified objectives.

A precis of the key findings was provided. Of particular note was the demands of the committee system on member and officer time, delays to council developments (with a resultant impact on budgets), and member uncertainty over the role of scrutiny in a committee system.

The Committee noted the report.

60/22 Exclusion of press and public

It was proposed by Councillor Leighton, Seconded by Councillor Bateson, and resolved that the public and press be excluded during consideration of the following items, in accordance with paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended) for the reasons set out in the reports:

13. Update on proposed Transactional Financial Service Partnership
14. Leisure Centre Operator Procurement
15. Spelthorne Personal Alarm Network (SPAN) Award Report
16. Refurbishment of Ground Floor Offices and Reception at 3 Roundwood Avenue

61/22 Update on proposed Transactional Financial Service Partnership

See exempt minutes.

The recommendations, as set out in the report, were agreed.

62/22 Leisure Centre Operator Procurement

See exempt minutes.

The recommendations, as set out in the report, were agreed.

63/22 Spelthorne Personal Alarm Network (SPAN) Award Report

See exempt minutes.

The recommendations, as set out in the addendum, were agreed.

The meeting was extended for a maximum of 30 minutes, in accordance with Standing Order 38.2.

64/22 Refurbishment of Ground Floor Offices and Reception at 3 Roundwood Avenue

See exempt minutes.

The recommendations, as set out in the addendum, were agreed.

65/22 Forward Plan

The forward plan was agreed.

66/22 Urgent business

67/22 Urgent Business - 2021/22 Revenue Carry Forwards to 2022/23

The Chair agreed to the consideration of this item, in accordance with paragraph (4)(b) of Section 100B of the Local Government Act 1972 for the following reason:

“To ensure that the Corporate Policy and Resources Committee is able to make decisions on the use of Revenue Carry Forwards, to facilitate any spending before the deadline of 30 June 2022, as stipulated in the Financial Regulations.”

The Committee agreed:

1. That the requests for 2021/22 revenue expenditure, as set out in the report, be carried forward to 2022/23.
2. That should the carry forwards exceed the underspend at year end, the prioritisation of these requests be delegated to the Chief Executive, following consultation with the Chair and Vice-Chair of the Corporate Policy and Resources Committee and the Deputy Chief Executives.

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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Corporate Policy and Resources Committee



11 July 2022

Title	<i>Shared Prosperity Fund</i>
Purpose of the report	For decision
Report Author	<i>Heather Morgan, Group Head Regeneration and Growth</i>
Ward(s) Affected	All Wards
Exempt	No
Exemption Reason	
Corporate Priority	Community Recovery Environment
Recommendations	<p>Committee is asked to:</p> <ul style="list-style-type: none"> • Agree that the projects/proposals at Appendix B (to follow) are included in the Investment Plan to be submitted to DULHC • Agree how stakeholders will be consulted on the projects/proposals being put forward (see Appendix C) to follow • Agree that any final amendments which might need to be made to the Investment Plan document as a result of feedback from the MP or consultation are delegated to the Group Head for Regeneration and Growth in consultation with the chair and vice chair of this committee.
Reason for Recommendation	<p>The Shared Prosperity Fund (SPF) task group have considered all applications submitted and have made recommendations (Appendix B) which this committee need to make a decision on. The government process requires the council to engage with stakeholders, and options are set out on how to do this within the very limited time constraints (Appendix C)</p> <p>As the Investment Plan has to be submitted to government by 1 August 2022, any final amendments will need to be dealt with under the officer scheme of delegation (in consultation)</p>

1. Summary of the report

- 1.1 A report on the Shared Prosperity Fund (SPF) was considered by the Economic Development Committee on 9 June – it set out details of the fund (£1m), the split over 3 years, the governments three priority areas, and the main risk considerations. That meeting agreed to set up a SPF task group to

help guide officers in reaching a set of recommendations to be reported to the CPR Committee on 11 July.

- 1.2 This report sets out the work of the task group in (1) considering the applications which have been put forward, (2) the scorecard which has been developed to ensure a rigorous assessment of the applications could be undertaken to enable a consistent approach to be taken to decision making, (3) recommendations on which projects should be included within the Investment Plan (Appendix B) and (4) options for consulting with our stakeholders (Appendix C).
- 1.3 Due to the tight deadline for submission (1 August), it is recommended any final amendments will need to be dealt with under the officer scheme of delegation (in consultation with the chair and vice chair of this committee).

2. Key issues

- 2.1 **Appendix A** replicates key background information from the Economic Development Committee report to aid this committees overall understanding.
- 2.2 Due to time constraints, the task group has only met on three occasions. These focused meetings have centred on the need to ensure all applications were considered thoroughly, and that a transparent and rigorous approach was followed. Members were very clear on the need to ensure robust and defensible recommendations could be brought before this committee. This was particularly important as it was evident from the first meeting that the financial value of the applications was around the £1m level (with a mis-alignment of funding requests relative to the provision made by government in each of the three years).
- 2.3 Where the task group felt more detail was required before they could reach a considered view, additional information was requested. An initial high-level discussion was had on the applications using a RAG rating (red, amber, green). Whilst useful, the task group felt this approach was limited, and requested that a scorecard approach be developed to enable each of the applications to be scored objectively against the same criteria. Councillors of the task group agreed the criteria and parameters for the scorecard, which were then used to review the applications. These included elements around deliverability, legacy, community impact, other possible funding sources and external partnership.
- 2.4 The task group also considered whether or not there was scope to adjust the timeline for the delivery of some of the projects to ensure funding streams aligned with monies coming from government, officers were tasked with speaking to service areas to ascertain if this was feasible and what the impacts might be on project delivery This information was provided to the task group prior to their final deliberations.
- 2.5 The clear benefit of this approach is that it allows for consistency and also provides an audit trail, firstly for those unsuccessful applicants (which the task group felt was particularly important bearing in mind all of the applications were worthy of careful consideration) and secondly for DULHC should they have any queries about the councils decision-making process.
- 2.6 **Appendix B** sets out the recommendations of the task group on which applications/projects it considers should be included within the Investment Plan. This includes high level details of the successful projects, and the

proposed funding allocations over each of the three years. It will be for this committee to decide whether it agrees to these recommendations.

- 2.7 Whilst the assessment of the applications formed a major part of the work of the task group, councillors also considered the options around stakeholder engagement.(see section 7 below for general background). The very limited consultation window has restricted the level of engagement to less than the task group would have liked. The recommendations set out in **Appendix C** were considered to be the optimal solution in reaching as many key groups as possible.

3. Options analysis and proposal

- 3.1 On 9 June, the Economic Development Committee agreed to submit an Investment Plan in order to access the £1m fund. It is now for this committee to decide on what is included within that plan.

Option 1 - Agree projects (recommended)

- 3.2 **Appendix B** sets out the recommendations of the SPF task group who have rigorously assessed all the applications against set criteria. The view of the task group is that these projects all fit within the three broad criteria laid down by central government, allow us to focus on those interventions necessary to address some of the fundamental challenges faced by the borough, provide the greatest possible community impact and achieve deliverable outcomes. It is recommended that the committee agree this option.

Option 2 - Do not agree the projects

- 3.3 The committee could decide that none of the projects should be taken forwards for inclusion within the Investment Plan. This would leave the council with an unrealistically tight window (less than a month) to go through the process of requesting, assessing and making recommendations on a new set of applications (and then consult). Any final decision would then need to be dealt with under urgent action (due to the lack of time) which would not enable this committee to consider and debate the matter. This option is not recommended.

Option 3 – request that some of the proposed projects are further reviewed

- 3.4 The committee could instruct the task group to undertake a further review of one or more of the recommended projects. Whilst this is feasible, it would push the whole stakeholder consultation process back. There would be less time available to obtain feedback prior to submitting the Investment Plan (and would in effect make this process virtually meaningless). As in option 2 above, any further information coming out of that review process would have to be reported via urgent action (with all the limitations that go with it). This option is not recommended

4. Financial implications

- 4.1 The Government has allocated £1m to Spelthorne (the lowest level allocation) to be spent between 2022 and 2025. The monies will be paid annually each year in April - with the exception of this year, which will be paid once the Investment Plan has been approved by government which is expected to be in October. (However, the monies can be used to support projects retrospectively which started in April 2022 if Councils choose to do so).

- 4.2 Any unspent monies will need to be returned (each year), and there is an expectation that outcomes will be delivered in time and in the year as set out in the Investment Plan. Councils are able to use up to 4% of the Investment Plan allocation for project assessment, monitoring or contract management (4% over the three year period but can be front or back loaded as desired by the individual Council).
- 4.3 The table below sets out the funding profile and the minimum capital spend – capital can exceed this percentage but will require justification in the Investment Plan.

Funding profile (set by government)

	2022/23	2023/24	2024/25
Profile	£150k (15% of total)	£270k (27% of total)	£580k (58% of total)
Minimum capital spend	£15k (10% of year's total)	£35k (13% of year's total)	£116k (20% of year's total)
Total	£150k	£270k	£580k

- 4.4 There is no expectation from government at this stage that the Investment Plan provides detailed project information or a full business case - this will be a 'to follow' and will be picked up under the monitoring of the grant spend. Government have also said they understand that spend may be 'lumpy' across a particular financial year, which is not an issue as long as the outputs are achieved in that year.
- 4.5 Where joint projects are submitted, each council will still be required to submit their own individual Investment Plan. One application was submitted with Runnymede, and if this is recommended and agreed for inclusion, then officers will ensure that this is reflected in both Investment Plan.
- 4.6 Project delivery is very flexible, and can be undertaken directly by councils, with LEP's, adjoining Councils or through external partners and agencies as required. A significant number of the applications looked to lever in partners from the private and voluntary sector.
- 4.7 For information, Surrey received the standard minimum County allocation of £4.3m.

5. Risk considerations

- 5.1 The main risks and mitigations are set out below:

Key risks	Mitigation
Failing to get the Investment Plan signed off	Ensure that the Plan aligns with the three priority areas, and a strong justification is provided.
Not delivering the projects within year	Ensure that we are realistic in what is included in the Investment Plan, and ensure that they can be delivered within existing resources (or

	we use some of the monies to bolster resources to deliver)
Not spending the money in the year we say we will (money the goes back to central government)	Carefully monitor spend on a regular basis so we can look to rectify any lag on spend, and accelerate mitigating actions as required
Not adequately monitoring outcomes to ensure the interventions meet their desired ends	It is understood this will need to be submitted to government as part of the monitoring regime. It is also suggested that an outcomes report is submitted to Corporate Policy and Resources on an annual basis to ensure we are transparent with the local residents and community on the outcomes achieved.
We do not engage with stakeholders for their views	We will be making use of existing networks and groups to ensure that we obtain their views on suggestions for priorities to be included in the Investment Plan. We will separately engage with Kwasi Kwarteng MP.
An emerging County Deal might mean the money gets re-allocated once a deal is in place	DLUHC have advised that their expectation is that any SPF monies up to 2025 will remain with the individual districts, boroughs and counties. The working assumption for Spelthorne Investment Plan is that the monies will be retained by Spelthorne for the full three-year period.

6. Legal considerations

Procurement and working with partners

- 6.1 Depending on the interventions that are eventually included in the Investment Plan, we may need to go through a procurement process if for example we decide to work with external providers to deliver certain interventions. This will need to follow the appropriate procurement route.
- 6.2 If the Committee agree to submit a joint bid with Runnymede then we would look to enter into a memorandum of understanding as a minimum to ensure clear lines of responsibility and delivery (e.g. which council is the lead).

Governance – task group

- 6.3 The role of the cross-committee task group has been to reach a position where it can make recommendations on which of the applications received it considers should be taken forward and included in the Investment Plan. Those recommendations are included at Appendix A.
- 6.4 As it stands at present, the role of that Task Group is now completed. It is currently proposed that those projects included in the Investment Plan are brought forward in the usual way as part of the corporate project management process, and as such regular reporting would be fed through the Administrative Committee. It is suggested that these shared prosperity fund

projects are differentiated in some way so that councillors who are particularly interested can keep track. If Councillors wish to receive a report on delivery and outcomes achieved, then this could be considered by this committee.

- 6.5 An update was given to all councillors at a regular briefing session on 27 June, and there will be a further update on 11 July immediately preceding this committee meeting.

7. Other considerations

Stakeholder engagement

- 7.1 Guidance has also been provided setting out the Government's expectations around how councils need to engage with our communities, businesses and any local partnerships that might already exist. Where local partnerships do not exist, we can use other existing avenues. All councils will be expected to engage with their local MP (ours is Kwasi Kwarteng MP Secretary of State for Business) and to demonstrate this engagement when we submit our Investment Plan.
- 7.2 We do not have a ready-made Local Partnership which we can engage with. Due to the tight timeframe for submission of the Investment Plan, it is proposed that we maximise the links that are already in place (for example - the Spelthorne Business Forum, Staines BID, voluntary groups, health and wellbeing groups, community safety partnerships and cultural/arts organisations).
- 7.3 **Appendix C** sets out the recommendations of the Task Group on the most effective and transparent way of undertaking this consultation bearing in mind the very tight deadlines for submission of the Investment Plan. The committee are being asked to agree this strategy under the second recommendation.

Assurance and on-going monitoring

- 7.4 Monitoring spend against the budget (£1m) for the respective schemes is likely to be more complex as the applications will span across a range of Service/corporate areas. A number are also multi-year projects (though they will have certain elements they need to deliver in a specific financial year). As a Council we need to ensure we maintain an appropriate level of control, especially when working with 3rd parties where joint bids are included within the Investment Plan.
- 7.5 Discussions will be held with finance on the most appropriate mechanism to ensure that visibility is maintained over the spend, and to ensure overall responsibility for delivery of the Investment Plan and its outcomes rests in one place – likely to be Economic Development - even though budgets may be devolved to individual service areas.

8. Equality and Diversity

- 8.1 The aim of the Shared Prosperity Fund is to assist with the government's Levelling Up agenda on a macro/national level. However, the principle can be equally applied at the micro/borough level - improving the quality of our environment, supporting local business and focusing on employment and skills to help people into work.
- 8.2 Equality and Diversity will be considered as part and parcel of the decision-making process on which elements will be included within the Investment Plan.

9. Sustainability/Climate Change Implications

- 9.1 Depending on the priorities that the council take forward, there will be clear opportunities to include sustainability and climate change. For example, we could look to improve local green space (with communities), improve neighbourhoods, or provide targeted support for businesses in terms of energy efficiency and reducing carbon.

10. Timetable for implementation

- 10.1 The Investment Plan needs to be submitted to the DLUHC by 1 August 2022. They will then consider the Plan and sign off. It is expected that Plans will be signed off in the autumn, with the monies being distributed in October 2022.

11. Contact

- 11.1 Heather Morgan, Group Head Regeneration and Growth
h.morgan@spelthorne.gov.uk

Background papers: There are none.

Appendices:

- Appendix A – key background information on the Shared Prosperity Fund (to follow)
Appendix B – Recommendations from the Task Group on applications to be included in the Investment Plan (to follow)
Appendix C – Recommendations on the stakeholder engagement strategy (to follow)

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Corporate Policy & Resources



11 July 2022

Title	<i>Procurement of Waste Collection & Street Cleansing Vehicles</i>
Purpose of the report	To make a Key Decision
Report Author	<i>Jackie Taylor Group Head of Neighbourhood Services</i>
Ward(s) Affected	All Wards
Exempt	No
Exemption Reason	<i>Not applicable</i>
Corporate Priority	Environment Service delivery
Recommendations	<p>Committee is asked to:</p> <ol style="list-style-type: none"> 1. Authorise the Group Head of Neighbourhood Services to go out to tender for the replacement of the seventeen leased vehicles listed at 3.4 2. Authorise the Group Head of Neighbourhood Services to go out to tender for the replacement of four purchased vehicles listed at 3.4 3. Agree that the lease of the workshop at the White House Depot is incorporated into the maintenance agreement for the vehicles to reduce lease costs
	<ul style="list-style-type: none"> • To enable the Council to procure replacement vehicles and continue to collect waste and recycling as required by the Environmental Protection Act 1990 and in accordance with Waste Regulations (England & Wales) Regulations 2011 (Amended 2012). • To enable the Council to procure replacement vehicles and continue to conduct our Street Cleansing functions in accordance with the Code of Practice on Litter & Refuse as detailed in the Environmental Protection Act 1990

1. Summary of the report

- 1.1 This report seeks authority to commence a procurement exercise for new Waste and Street Cleansing Vehicles following an assessment of the Council's existing fleet.
- 1.2 The new fleet will consist of leased and purchased to own vehicles that will provide the Council with modern and carbon-efficient waste and recycling vehicles.

- 1.3 In addition to the procurement of vehicles, this report also seeks authority to incorporate the maintenance of the vehicles into the lease agreement of the workshop at the White House Depot, which will reduce lease costs
- 1.4 The proposed approach to this fleet renewal exercise is to procure through a framework arrangement. These are increasing in popularity as they provide a compliant, dependable and time efficient means to go out to the marketplace and find the best solutions.
- 1.5 Frameworks remove most of the uncertainty when making purchases as they provide tried & tested benchmarking, pricing structures, standardised contract terms and advice. In terms of due diligence, suppliers are evaluated before being appointed a position on a framework.
- 1.6 This report is the first stage of a two-stage process. It is vitally important to carry out this procurement exercise in two stages to ensure that stage one provides all the vehicle information and costs.
- 1.7 Once the procurement exercise has been undertaken (Stage one) a full evaluation of the tender submissions will be undertaken by officers with a recommendation put to Full Council (Stage two) setting out options, cost, risks & implications. All of which will need to be considered to ensure that members are able to make fully informed decisions on the choice of vehicles.

2. Key issues

- 2.1 The management of household waste is one of the key functions of the local authority and is a function that is significant to every resident of Spelthorne. In that context, it is imperative that the Council delivers a service that is flexible and cost effective and can change to meet demands as the borough grows and changes. Spelthorne has already embarked on one of its biggest periods of growth in terms of housing developments and we need to ensure that we deliver services that can adapt, thereby helping the Council to manage increasing costs for the future.
- 2.2 In October 2020 Spelthorne declared a Climate Change Emergency and adopted a carbon neutral target. This created the need across the Council for all strategic decisions, budgets, and approaches to decisions to be aligned with the goal of achieving a shift to carbon neutrality.
- 2.3 As part of this commitment Spelthorne committed to a review of the refuse collection fleet and aspired to convert to electric or hydrogen vehicles for 50% of the refuse fleet, depending on the best technology available. With further conversions taking place as and when vehicles are replaced.
- 2.4 To fulfill this commitment, we will undertake an evaluation of alternative fuelled vehicle options as part of the tender process. This process will be designed to gather that information to enable Councillors to make an informed decision on the pros and cons of leasing and purchasing such vehicles at this time.
- 2.5 The lease on the current fleet of street cleansing and waste vehicles and depot workshop is due to expire in June 2023. In preparation for this Neighbourhood Services officers have researched opportunities to ensure we continue to deliver an effective, adaptable, and efficient waste collection service. This research endeavoured to:

- Investigate opportunities and industry best practice and update our fleet of refuse vehicles accordingly
 - Maximise capture rates and the value of recyclables
 - Reduce running and service delivery costs
 - Improve and enhance the collection service for residents
 - Optimise collection rounds by conducting a re-routing exercise
 - Explore fuel options for all fleet vehicles
- 2.6 Spelthorne Borough Council's current waste and cleansing services are managed by Neighbourhood Services and operate from the White House Depot.
- 2.7 The street cleansing service currently delivers scheduled mechanical sweeping, litter picking and litter bin emptying across the borough.
- 2.8 Waste provision provides Alternate Weekly Collections (AWC) of rubbish and co-mingled dry mixed recycling (DMR), and weekly collections of food, textiles, and small electrical items. Some older properties due to their age are not designed to accommodate the number of bins required to facilitate the AWC service and their bins are therefore serviced on a much greater frequency.
- 2.9 The vehicles currently used to deliver these services are a mixture of:
- a) leased from a contractor on a 3 and 6-year lease with maintenance including use of the Council's own workshop based in the White House Depot, and
 - b) Council owned
- The table at **3.4** shows the number of vehicles across services along with age and their ownership status, all of which are due for replacement in 2023.
- 2.10 The lease for the vehicles and the associated workshop premises is due to expire in June 2023 at which point the current fleet of vehicles are due to be returned to the contractor.
- 2.11 Procurement of such vehicles can take varying times from confirmation of order to delivery, especially when considering our need to consider alternative fuels.
- 2.12 It is anticipated that new vehicles will reduce the dependency on spot hired vehicles and reduce overall running costs for fuel, maintenance, repairs, and mileage across the full life of the vehicle fleet.
- 2.13 Vehicle specifications have been written to ensure the correct vehicles will be procured for the types of waste collected and mechanical sweeping. The vehicles will be fitted with safety features to ensure cycle awareness and associated warning systems, CCTV systems inside the cab and 360-degree coverage of the external vehicle area, with in-cab display screens.
- 2.14 We will also take into consideration the Government's proposals for a new Resources & Waste Strategy for England which sets out their ambitions for higher recycling rates, increased resource efficiency and a more circular economy in England. The report which was delivered at the Environment &

Sustainability Committee on 14 September 2021 can be found at **Appendix A** with the accompanying background document at **Appendix B**.

2.15 The Government have set out proposals but have not yet given a firm timeline for delivery of the proposals which will eventually be set in legislation and become law. The key milestones that have now been proposed are:

- the roll out of a Deposit Return Scheme (DRS) during 2024
- legislation for mandatory separate food waste collections 2023
- extended producer responsibility for packaging 2024
- revision of the resources & waste strategy 2023/24

2.16 It is anticipated that if the DRS is up and running by 2024 it is unlikely to affect our domestic waste collections as they are currently delivered.

2.17 We already provide a separate food waste collection service, and we can therefore say this element of the new strategy has partially been delivered, although we will need to push this out to those who currently do not, for whatever reason, participate in the food waste collection service. This may require an increase in the number of vehicles and staff required.

3. Options analysis and proposal

3.1 Option 1

Do not go out to tender and seek options from our current supplier in terms of contract extensions for vehicles and the workshop. This is not the preferred option as all waste vehicles are coming to end of life and we are seeing an increase in repair costs. To ensure the service is efficient we only carry one spare 26T waste vehicle within a fleet of eleven. The average ratio for this type of operation is one spare to every six vehicles. The value and life of waste vehicles are determined by mileage.

The same ratio applies to cleansing vehicles, and these are also coming to end of life albeit that the value and life of cleansing vehicles is determined by the number of hours worked.

3.2 Option 2

As in Option 1 above, do not go out to tender and seek options from our current supplier in terms of contract extensions for vehicles and the workshop. During this period of extension, we could engage external waste consultants to undertake a complete review and consider options for outsourcing both waste and cleansing services.

3.3 Option 3 preferred option

Following a review of various procurement options, the recommendation of this report is to commence a procurement exercise through the Yorkshire Purchasing Organisation (YPO) to purchase and lease waste & street cleansing vehicles and associated services for a period of 42 & 84 months as detailed in table 3.4 below.

The procurement process will be based on further competition exercise of the YPO's: -

- a) Fleet Managed Framework (921) Lot 3 Fleet and Managed Workshops. This framework has 6 service providers who have been appointed

following a competitive tender process, compliant with PCR 2015. The framework commenced on 4 January 2019 for a period of 4 years.

- b) Fleet Managed Framework (960) Lot 1 Specialist Vehicles. This framework has several service providers who have been appointed following a competitive tender process, compliant with PCR 2015. The framework commenced on 5 October 2019 for a period of 4 years.

The award criteria for the framework tender is set out below, however in view of the estimated value of Council's call-off contract, the weighting for sustainability/social value has been adjusted to meet our expectations:

Criteria	Framework Weightings	Spelthorne's Adjustments
Cost	40%	40%
Quality	35%	30%
Delivery and Customer Services	20%	20%
Sustainability / Social Value	5%	10%
TOTALS	100%	100%

3.4

Vehicle	Year of manufacture	Lease or Purchase	Period	Service	Quantity
26T RCV	2017	Lease	84 months	Garden waste	1
18T RCV	2017	Lease	84 months	Garden waste	1
26T RCV	2017	Lease	84 months	Rubbish/recycling	8
12T RCV	2017	Lease	84 months	Rubbish/recycling	1
7.5T RCV	2020	Lease	84 months	Rubbish/recycling/litter bins	1
18T principal road sweeper	2017	Lease	84 months	Street cleansing	1
Compact road/pavement sweepers	2020	Lease	2 terms of 42 months	Street cleansing	4

3 x 7.5T vehicles	1 x 2011 2 x 2017	Purchase	Purchase outright	Food Electricals Textiles	3
7.5T RCV	2017	Purchase	Purchase outright	Food Electricals Textiles	1

3.4 In-cab technology is necessary to enable us to monitor, measure and maximise the capture rate of recyclable materials, maximise participation and target contamination, with the aim of reducing residual waste tonnages and associated costs.

3.5 We already operate this type of technology and have built on its effective use since 2017. It is anticipated that the same programme would be specified within the tender documents to reduce costs and potential errors when transferring data.

4. Financial implications

4.1 The revenue budget already has a yearly provision for the cost of leased vehicles for both the Waste & Street Cleansing Services for 2022/2023 and beyond. However, given that the cost of everything we purchase has gone up significantly it is anticipated additional revenue funding would be needed to cover the budget gap between the contract costs in 2017 against a like for like replacement now.

4.2 The vehicle replacement programme also identifies the need to replace the current food waste vehicles in 2023 which are Council owned. A Capital budget need of £340k has already been put forward by Neighbourhood Services to our Finance Department to build this sum into the 2023/2024 Capital programme. This figure was based on estimated replacement costs in 2021 and did not account for additional costs for electrically powered vehicles.

4.3 Added to point 4.1 & 4.2 above is the need to look at options for zero emissions at the tailpipe. If Battery powered electric vehicles (BEV) are to be included in the fleet, we are likely to need to budget two to three times the lease/purchase rates that currently apply for diesel powered vehicles.

4.4 There remains significant variation between the “price premiums” for BEV dependent upon the asset selected (sweepers currently appear to have a higher premium than RCVs (Refuse Collection Vehicle); however, by way of example, whereas a 26T diesel single compartment RCV for Local Authority Operations is currently costing circa £180k, an electric vehicle will cost at least £400k. With such an initial premium, any notion that there will be a financial payback for moving to BEVs (Battery Electric Vehicles) within the standard operating life of the asset should be treated with caution.

4.5 A comparison of current and potential lease costs for a standard RCV are shown in the table below: -

Vehicle	Current annual lease costs per	Potential annual lease costs per vehicle (diesel)	Potential annual lease costs per vehicle (electric)
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	vehicle (diesel) 2022	2023	2023
26T RCV	£45,000	£55,000	£110,000

- 4.6 The procurement exercise will require tenderers to provide full costs for a range of vehicles which are powered by Diesel and Electric. Hydrogen is not an option for Spelthorne now as the infrastructure is not available. At the tender evaluation stage, it will be possible to provide clearer financial implications for the budget year 2023/2024 and beyond.
- 4.7 To note is the potential impact of International Financial Reporting Standard on assets previously treated as operating leases with leases brought onto the Balance Sheet. Essentially meaning that there is no longer a distinction between operating and finance leases. Having discussed this point with our finance team it is unlikely that this will impact financially on the Council in relation to this procurement exercise.

5. Other considerations

- 5.1 Early discussion with our current suppliers has given us assurance that they will ensure the current fleet stays in place until such time as a new fleet (no matter who wins the tender) is delivered.
- 5.2 Officers have and will continue to evaluate vehicles to ensure that they can meet the requirements of the service and will continue to consult with other boroughs during the procurement process.
- 5.3 With the possible introduction of large electric vehicles into the fleet it also anticipated that the electric supply into the depot from the grid would need to be upgraded/increased to cope with demand. We have consulted with the Council's Assets Team to look at potential issues and options to increase the supply, the initial feedback from electricity suppliers is that this electricity upgrade may take up to 2 years to complete and at a cost of £250k plus.
- 5.4 Neighbourhood Services officers have consulted with the Council's Planning Officers to determine the quantity of new builds over the next 2 years. Based on this information we have not identified a need to add extra collection rounds to the existing waste service at this stage.
- 5.5 Since moving from a black bag collection to a wheelie bin collection in 2007 we have made some changes to enhance our waste collection services. Plastics were introduced into our wheelie bins and the combined food, textiles and WEE collections were introduced in 2017. At this stage of the consultations on the Government's Resources & Waste Strategy it would be unwise to make any further changes. We will however need to ensure that our current vehicle procurement allows us to adapt easily to any changes in collection methods.
- 5.6 This procurement exercise does not include any vehicles for SDS (Spelthorne Direct Services) Ltd, the Council's own commercial waste collection company.

6. Equality and Diversity

- 6.1 Our waste collection services are designed to ensure that all residents can participate in all services offered. This formed a key part of a major service change in 2007 when we moved to a wheelie bin collection. Included at that time were assisted collections, bin identification and reduced sized bins. It is

very unlikely that any vehicle changes would adversely affect any of our residents or reduce the level of services they currently receive.

7. Sustainability/Climate Change Implications

- 7.1 Over the last few years, the UK transport market has undergone a significant and rapid shift in its approach to vehicle emissions to respond to the pressures and opportunities linked to alternative fuels for refuse collection vehicle (RCV) fleets. There has been a transition from electric body/bin lift with conventional diesel powertrain vehicles to fully electric RCVs. Further developments in alternative fuels (including hydrogen solutions) are also now emerging.
- 7.2 It is anticipated that during the next few years and as the Government moves forward with its Hydrogen for Transport programme Hydrogen Solutions will become much more available in the UK. Currently the infrastructure required for running Hydrogen vehicles on a fleet is not available.
- 7.3 It is important to understand the infrastructure required to support the use of alternative fuels. However, it is difficult to justify the cost for procuring assets that are double the cost of a conventional powertrain as there are few UK-based commercial scale examples of alternative fuels in RCV operations that have been operating for any length of time.
- 7.4 The fastest moving technology in terms of alternative fuels is the all-electric RCV. This vehicle not only plays a vital role in improving air quality and fighting climate change but is also highly efficient and potentially cost-effective.
- 7.5 Clearly the fundamental benefits of BEVs are:
- they are Zero Emissions at the Tailpipe
 - the cost of “fuel” (electricity instead of diesel / petrol) is significantly cheaper and
 - the electricity can be procured from renewable sources which is more sustainable than fossil fuels.
- 7.6 The Government will mandate that the sale of HGVs (Heavy Goods Vehicle) 26 tonnes and under containing Internal Combustion Engines (ICE) must stop in 2035 (at the latest), which is still two fleet replacement cycles away for an Authority such as Spelthorne who are due to update the vehicles in 2023 and then again in 2030.

8. Risks

- 8.1 The current contract for the fleet and owned managed vehicles is due to expire in June 2023. Vehicles of this type usually have a 12-month plus lead in time, and it is therefore imperative to move forward with this procurement exercise to ensure that we can deliver services with vehicles that suit service needs.
- 8.2 There are a variety of different fuel options for these vehicles and at decision stage members will be advised on the potential risks of committing the whole fleet to BEV considering emerging technologies such as Hydrogen.
- 8.3 As already highlighted in this report the risks are related to

- The added cost of alternative fuel vehicles placing a financial pressure on the Council's budget for the next 7 years
 - Not meeting climate change challenges if alternative fuel vehicles are not available or chosen
 - Delays in vehicle availability due to pressures beyond our control may lead to service failure due to ageing vehicles
 - Poor or no charging infrastructure for BEV & Hydrogen vehicles both on and off site
- 8.4 One of the major suppliers for RCVs has recently advised that in line with many manufacturing organisations they are experiencing issues with supply chains. This has been put down to some of their key suppliers suffering cyber-attacks, semi-conductor shortages and increased manufacturing periods.
- 8.5 It is also known that demand is currently outstripping supply of most commodities. Taking steel as an example, this supplier has stated that the cost per ton of the main commodity of RCVs has increased by at least 30% in the last 12 months.
- 8.6 Delays are also being experienced in UK based vehicle factories due to component shortages and at UK ports due to the shortage of delivery drivers.
- 8.7 Brexit followed by Covid has necessitated one large RCV manufacturer to re-evaluate its business operations to react to an ever-changing world situation which now includes the war in Ukraine which will also impact on what they are able to deliver and when, so much so that they are considering the implication of Force Majeure and the possible activation of this clause within all their agreements.
- 8.8 It is anticipated that as all these factors are current and known we will see the relevant increases in costs and lead times within the tender returns.
- 8.9 This two-stage procurement process will ensure that Councillors are able to make fully informed decisions.
- 9. Timetable for implementation**
- 9.1 The specifications for all vehicles are currently being drawn up these will form part of the tender documentation. It is anticipated that a 6-week turnaround time for tender return will be a reasonable period. Followed by the evaluation and an additional report to Full Council with findings, options, and recommendations for contract award. We would anticipate that subject to committee timetables the contract will be awarded during the latter part of 2022.
- 10. Contact**
- 10.1 Please contact Jackie Taylor Group Head of Neighbourhood Services on 01784446418 for any additional information.

Background papers: There are none

Appendices:

Appendix A [Report - Governments Proposed Resources Waste Strategy.pdf](https://democracy.spelthorne.gov.uk/documents/s37272/Appendix%201%20-%20Report%20-%20Governments%20Proposed%20Resources%20Waste%20Strategy.pdf)
([spelthorne.gov.uk](https://democracy.spelthorne.gov.uk))

[https://democracy.spelthorne.gov.uk/documents/s37272/Appendix%201%20-](https://democracy.spelthorne.gov.uk/documents/s37272/Appendix%201%20-%20Report%20-%20Governments%20Proposed%20Resources%20Waste%20Strategy.pdf)

[%20Waste%20Strategy%20Key%20Milestones.pdf](#)

[Appendix - Waste Strategy Costs.pdf \(spelthorne.gov.uk\)](#)

Appendix B attachment [- Governments Proposed Resources Waste Strategy.pdf \(spelthorne.gov.uk\)](#)



Corporate Policy and Resources Committee

11 July 2022

Title	<i>Disabled Facility Grants and Better Care Funding for disabled resident aids and adaptations</i>
Purpose of the report	To make a decision
Report Author	<i>Jai Camburn, Disabled Facility Grant & Assisted Living Officer Karen Sinclair Group Head Community Wellbeing</i>
Ward(s) Affected	All Wards
Exempt	No
Exemption Reason	
Corporate Priority	Community Affordable housing Service delivery
Recommendations	Committee is asked to: Approve the Disabled facility Grant (DFG) and Better Care Funding Policy for disabled residents
Reason for Recommendation	<ol style="list-style-type: none"> 1. The Council's current policy relating to the policy for aids and adaptations for disabled residents has been in place since 2017 and requires updating 2. The proposed policy more closely aligns Spelthorne Borough Council with the policies of other Surrey local authorities 3. The policy introduces recommendations that have arisen from Government guidance issued in 2022 4. The main elements of the policy remain the same and are primarily governed by statute. The new policy seeks to provide greater parity and transparency for residents

1. Summary of the report

- 1.1 This report seeks to gain approval for a new policy for the implementation of disabled facility grants (DFG) and expenditure of the Better Care Fund on aids and adaptations for disabled residents.
- 1.2 The Council is responsible for the administration of disabled facility grants. This includes adapted bathrooms, level access showers, stairlifts, improvements to access (ramps, half steps, handrails), The underlying principle of DFG's is that works enable people to remain living at home rather than care or nursing homes.

Disabled Facility grants are now funded from 'The Better Care Fund'. This is a fund which is meant to reflect the local need of disabled clients and have regard to Adult Social Care and health needs of the local area. The Better Care Fund plan should be agreed between partners. The Regulatory Reform Order 2002 gave local authorities power to introduce policies around aids and adaptations which resulted in greater flexibility on how money could be used to keep residents living safely and independently in their own home. This change preceded a significant increase in the national budget for DFGs which for 2020/21 was £550m and for 2021/22 is £573m.

- 1.3 There is a mandatory limit of £30k for DFG's. However, the reality is that some work will exceed the mandatory limit. In these cases, a top up process has been available since 2017 where an applicant can apply to a Council lead panel for an additional amount of up to £15,000 to help fund the work. This is only agreed in exceptional circumstances, as the Council needs to ensure overall value for money and that the funding available can assist as many residents as possible.
- 1.4 The DFG process includes an assessment by an Occupational Therapist (O.T.), a means test of household income and an assessment by a Grants Officer / Technical Officer. Consideration is given as to whether the works meet the criteria (are necessary and appropriate to meet the disabled person's needs, are reasonable and practical). The Council also considers factors such as the effect on other residents, limited access, conservation considerations, and the structural characteristics of the property.
- 1.5 Means testing is often an emotive subject both for the disabled resident and for their family. Currently the Council means tests all DFG applications. Exceptions are disabled children (up to and including aged 19 if they are in full time education), and those with certain benefits such as guaranteed pension credit. Following the means test, in some instances clients must pay a contribution. However, this can act as a deterrent and many clients then do not proceed with works. Woking and Runnymede councils do not means test clients for level access showers and for stairlifts. It is proposed that given these works do not add to the value of a property and can detract from value, Spelthorne Council adopts the same policy.
- 1.6 For many clients, such as those leaving hospital, smaller works e.g., property safety and security, general DIY, key safes and handrails, the Council refers

to the handyperson service, funded from the Better Care are provision. This is currently administered on our behalf by Woking Borough Council.

- 1.7 Currently A2D tenants who require smaller works valued under £2000 have these arranged and paid for by A2D. Using the flexibility of the Better Care Fund. it is proposed that the Council now offer the same service to owner occupiers and private sector tenants. An example might be a lower value ramp to a property which the handyperson service is not able to create. It is recognised that smaller works such as this can make a huge difference to the day to day living of a disabled client but that waiting for an O.T. assessment and means testing may delay the process.
- 1.8 Surrey County Council refer some residents to the Community Equipment Store for minor aids and adaptations. For example, referrals are made for some clients leaving hospital. The Council use its discretion and contribute an annual sum of £40,000 towards this. There are no proposed changes to this process, but it is mentioned to ensure a holistic picture of Better Care Funding is given.
- 1.9 Where clients want a higher standard of works than those that meet their basic needs (e.g., patterned bathroom tiles rather than standard white or the work would exceed the £30k mandatory DFG limit and it is not appropriate to go to the Council Panel), they can pay the difference.
- 1.10 In accordance with specific Government guidance, along with good practice, it is proposed that DFG's are means tested except in the case of an applicant with Motor Neurone Disease (MND), palliative or end of life diagnosis. In these instances, the Council propose to offer a fast-tracked process with no means testing for works up to £5K. Where works are over the value of £5K the Council will disregard the earnings of the disabled person where larger scale works are assessed as being necessary and appropriate. In this instance the means test only takes into consideration the income of other members of the household.

2. Key issues

- 2.1 Appendix 1 shows the proposed policy along with a table of existing considerations, with a table illustrating the proposals.

3. Options analysis and proposal

- 3.1 Option 1-Do nothing. This is not recommended as the current policy is out of date and does not consider the latest Government guidance and good practice.
- 3.2 Option 2- Adopt the proposed changes-recommended.
- 3.3 Option 3-Adopt some of the proposals.

4. Financial implications

- 4.1 The annual Better Care Fund capital allocation to the Council is currently £943,241 The proposed policy changes will be fully funded from within this provision.

5. Risk considerations

- 5.1 There is a risk that the demand for assistance outstrips the monetary provision, given the increasingly elderly population and the number of

residents that require adaptations to remain living at home. Careful monitoring will need to be given to ensure that we stay within the allocated funds.

6. Legal considerations

6.1 The proposed policy complies with current legislation and Government guidance.

7. Other considerations

7.1 The proposals more closely align the Council with those of neighbouring authorities such as Runnymede and Woking.

8. Equality and Diversity

8.1 This policy is aimed to assist all disabled residents of the borough. Many of the clients are either children with disabilities or elderly residents. A full equality impact assessment is to follow

9. Sustainability/Climate Change Implications

9.1 All building works take into consideration factors such as appropriate insulation for new external walls and roofs.

10. Timetable for implementation

10.1 Once the policy is agreed by the Corporate Policy and Resources committee the policy will be introduced with immediate effect.

11. Contact

11.1 Contact details name and email address for queries relating to this paper.

Karen Sinclair , k.sinclair@spelthorne.gov.uk , 01784 446 206

Jamie Camburn , j.camburn@spelthorne.gov.uk , 01784 446 202

Background papers: *There are none*

Appendices: **Appendix A, Policy for DFG and Better Care Fund, including table of current and proposed items**

Spelthorne Borough Council

Disabled Facility Grants (DFG) and Better Care Funding

for disabled resident aids and adaptations Proposed Policy 2022

Introduction to Disabled Facilities Grants.

Disabled Facilities Grants (DFG's) are a statutory function which are administrated by Spelthorne Borough Council.

DFG's are available to help fund the cost of aids and adaptations to enable a disabled person to live independently in their own home and support the provision of decent, healthy, and safe housing within the borough under the Housing Grants, Construction and Regeneration Act 1996 and the flexibility of the Regulatory Reform (Housing Assistance) (England and Wales) Order 2002

A DFG is only available to people who are disabled within the meaning of the National Assistance Act 1948. This means that a DFG will not be granted to a person who is solely elderly or retired.

The Council closely with Surrey County Council's Social Services Department, who will assess the needs of the client and confirm that the works are "necessary and appropriate".

This policy ensures that resources are targeted at those who would not otherwise be able to adapt, repair or improve their home. By providing adaptations to those who have a medical need and by developing a preventative approach the Council can reduce hospitalisation and improve adults' health and wellbeing. In turn this relieves some of the pressure on Social Services and NHS partners

DFG's are a means tested scheme, which will consider a disabled persons income, savings and capital owned by them and their spouse or partner. Depending on the outcome of the test, they may be required to contribute towards the cost of the works. A means test will not be conducted if they are applying on behalf of a child.

The maximum DFG available in England is £30,000. If the total cost of the works, plus any fees or VAT exceed this amount, the applicant may be required to pay the additional costs.

There is no means test for

- those who receive a non-means test benefit, for example Guaranteed Pension Credit, Housing Benefit, or Income Support.
 - a standard stairlift
 - a level access shower (where there is need to modify an existing bathroom)
 - a disabled child under 19 years (if in education or receiving child benefits)
 - Motor neurone disease (MND), palliative or end of life diagnosis
- Spelthorne Borough Council offer a fast-tracked process with no means testing for works up to £5000 and ignore the earnings of the person with the

diagnosis where; larger scale works are assessed as being necessary and appropriate.

The person who the grant is for must:

- own the property or be a tenant
- the property must be the disabled person's main residence
- must be a UK citizen
- have lived, or be intending to live, in the property in question for at least five years, or for such a shorter period as their health and other relevant circumstances permit

The Council needs to be satisfied that the work:

- is necessary and appropriate to meet the disabled person's needs
- is reasonable and practical
- considers things such as the effect on other residents, limited access, conservation considerations, and the structural characteristics of the property
- is of good quality and meets other safety standards (applies where grants approved and adaptations or other works are undertaken)

Land Charges

If the DFG is for a homeowner and the adaptation is over £5,000, a land charge will be placed against the property (up to £10,000). The amount placed depends on the cost of the works and will decrease yearly over the next 10 years.

Should the property be sold within 10 years of the adaptation, the amount will be repayable.

Aids and Adaptations Grant.

A Minor Aids and Adaptations Grant is available to Homeowners costing less than £2000 for a wide variety of other aids or adaptations. these include:

- works to make a home suitable for a disabled occupant's accommodation, welfare, or employment.
- providing small-scale adaptations to either fulfil needs not covered by mandatory DFG's
- avoiding the procedural complexities of mandatory DFGs, to deliver a much quicker remedy for urgent adaptations
- repairs to a previous DFG

Getting grant approval before starting work

If the work is started before a grant application is formally approved in writing the application will be disqualified.

What works are eligible?

Mandatory grants can be awarded for the following works:

- facilitating a disabled person's access to the dwelling for example, widening doors and installing ramps
- by providing or improving access to the bedroom, kitchen, toilet, wash basin and bath (and/or shower) facilities; for example, by installing a stair lift or providing a level access shower room
- facilitating the preparation of food by the disabled person.
- improving/providing a heating system to meet the disabled person's needs
- facilitating access and movement around the home to enable the disabled person to be cared for by someone dependent upon him or her needs.
- making the dwelling safe for the disabled person and others residing with him or her.
- facilitating access to and from a garden or making a garden safe.

Who can apply?

Grants are for disabled people and can be applied for by:

- the disabled person
- a person living with a disabled person,
- parent or guardian of a disabled child,
- the landlord of a property

How long will the process take?

- Spelthorne Borough Council have up to 6 months to approve a fully completed application form.
- Spelthorne Borough Council aim to complete the works within 12 months from receipt of the fully completed application in many cases these times periods are significantly shorter.

How to apply?

- speak to an Occupational Therapist (OT) who can advise on the application process.

Spelthorne Locality Team,
Ashford Centre,
Stanwell Road,
Surrey
TW15 3DU

Telephone: 01932 795 292

Email: Spelthorne.otduty@surreycc.gov.uk

- apply directly to the Independent Living Team at Spelthorne Borough Council.

Spelthorne Borough Council,
Knowle Green,
Staines-upon-Thames,
Surrey
TW18 1XB

Telephone: 01784 448 607
Email: dfg@spelthorne.gov.uk

Complaint procedure

Spelthorne Borough Council aim to provide a high-quality and value-for-money services to all our residents.

If Spelthorne Borough Council do get something wrong, the Council try to put it right quickly and learn from mistakes, to help improve services in the future.

Feedback from residents is an important part of helping the Council to do this.

The Council will deal with all complaints fairly, consistently, and professionally.

Ways that you can contact The Council.

- email Customer Services
- phone us on 01784 451499
- write to us at:

Customer Service Centre
Spelthorne Borough Council
Knowle Green
Staines-upon-Thames
Surrey TW18 1XB

Scheme	Amount Available	Eligible Works	Who is Eligible	Conditions / Notes
Disabled Facility Grant (DFG) <ul style="list-style-type: none"> • Mandatory • Main priority of the DFG Team 	Up to £30,000	<ul style="list-style-type: none"> • Access • Ramps • Concrete hardstanding • Stairlifts • Through lifts • Level access showers • Hoists • Door widening • Conversions • Extensions • Any larger adaptations 	<ul style="list-style-type: none"> • A disabled person who owns the property • A disabled tenant in a rented property • Parent or Guardian of a disabled child • A disabled person living in someone else's home 	<ul style="list-style-type: none"> • Occupational Therapist (OT) assessment • Work is necessary, appropriate, reasonable, and practical. • Fully completed application • Means tested (except in the case of) a standard stairlift, a level access shower where there is need to modify an existing bathroom, a disabled child under 19 years if in education or receiving child benefits, an applicant with MND, palliative or end of life diagnosis as confirmed by a medical professional)
Aids and Adaptations Grant <ul style="list-style-type: none"> • Non-Means tested • Homeowner / Private tenant • One Grant per property 	Up to £2,000	<ul style="list-style-type: none"> • Small scale adaptations • Half steps • Ramps • Rails • Repairs to previous DFG • Warranties 	<ul style="list-style-type: none"> • A disabled person who owns the property • A disabled tenant in a privately rented property • Parent or Guardian of a disabled child • A disabled person living in someone else's home 	<ul style="list-style-type: none"> • Work is necessary, appropriate, reasonable, and practical. • Occupational Therapist (OT) assessment not necessary • This brings Spelthorne Borough Council in line with other Councils
Top UP <ul style="list-style-type: none"> • Spelthorne Borough Council Panel 	Up to £15,000 over the £30,000 DFG limit	<ul style="list-style-type: none"> • Flexibility outside mandatory grant 	<ul style="list-style-type: none"> • A disabled person who owns the property • A disabled tenant in a privately rented property • Parent or Guardian of a disabled child • A disabled person living in someone else's home 	<ul style="list-style-type: none"> • Occupational Therapist (OT) assessment • Work is necessary, appropriate, reasonable, and practical. • Fully completed application • Means tested

Community Equipment Store (CES)	N/A	<ul style="list-style-type: none"> • Ceiling Track Hoists • Ramps • Handrails 	<ul style="list-style-type: none"> • A disabled person who owns the property • A disabled tenant in a privately rented property • Parent or Guardian of a disabled child • A disabled person living in someone else's home 	<ul style="list-style-type: none"> • Occupational Therapist (OT) assessment
Handy Person Service (Home Link)	Charged may apply	<ul style="list-style-type: none"> • Dementia Service • Urgent Hospital Discharge / Palliative / Safety and Security • Minor Health and Safety work • General DIY • Skilled Electrical • Skilled Plumbing • Key Safes • Handrails 	<ul style="list-style-type: none"> • Elderly 60 Years + • Disabled in receipt of DLA or PIP • Vulnerable 	<ul style="list-style-type: none"> • Occupational Therapist (OT) assessment • Self-referral • Owner Occupier • Privet / Rented

Spelthorne Borough Council Panel,
 DFG Officer,
 Strategic Lead Independent Living,
 Head of Service Independent Living,
 Deputy Chief Executive.

Corporate Policy & Resources Committee

11 July 2022



Title	<i>Updated Estimated Capital Programme for 2022/23 to 2025/26</i>
Purpose of the report	To approve
Report Author	<i>Paul Taylor Chief Accountant</i>
Ward(s) Affected	All Wards
Exempt	No
Corporate Priority	<i>Delete as applicable</i> Community Affordable housing Recovery Environment Service delivery
Recommendations	Committee is asked to approve the amendments to the estimated Capital Programme for the projects mentioned below, which will decrease the estimated Capital Programme by £184,147.
Reason for Recommendation	This report updates the Council approved Estimated Capital Programme for 2022/23 to 2025/26 to reflect the approved capital projects which were expected to complete by 31 March 2022, but did not, and those that were expected to complete after 1 April and were finalised before 31 March 2022.

1. Summary of the report

- 1.1 This report updates the Council approved Estimated Capital Programme for 2022/23 to 2025/26 to reflect the approved capital projects which were expected to complete by 31 March 2022, but did not, and those that were expected to complete after 1 April and were finalised by 31 March 2022, as shown in Appendix A.
- 1.2 As these adjustments change the Estimated Capital Programme for 2022/23 to 2025/26, officers have reflected these changes in appendix B, as at 23 June 2022.

2. Key issues

- 2.1 Officers were required to prepare the Estimated Capital Programme in late January 2022, for Council approval at their February meeting.

- 2.2 In preparing this report officers were required to make judgements on which approved capital projects will complete by 31 March 2022 and therefore these will not form part of the Estimate Capital Programme report.
- 2.3 Also, projects that were anticipated to complete in the early part of the new financial year, have completed before 31 March 2022.
- 2.4 After the year end, officers review each capital project and for those that were scheduled to complete by 31 March 2022 and did not, these must now be added to the Estimated Capital Programme for Council to formal approve, noting that Council has already approved each of these projects.
- 3. Options analysis and proposal**
- 3.1 Not applicable.
- 4. Financial implications**
- 4.1 There are no significant financial implications, as the Council has approved these projects, it is a timing issue of when they complete. As they will complete after 1 April 2022, officers must update the Estimate Capital Programme and Capital Financing Requirements accordingly.
- 5. Risk considerations**
- 5.1 None, due to the minor value of each project.
- 6. Legal considerations**
- 6.1 By submitting the updated Estimate Capital Programme for 2022/23 to 2025/26 to council for approval, there are no legal implications.
- 7. Other considerations**
- 7.1 None.
- 8. Equality and Diversity**
- 8.1 Detail how the recommended proposals will impact equality and diversity and mitigation measures being taken.
- 9. Sustainability/Climate Change Implications**
- 9.1 None.
- 10. Timetable for implementation**
- 10.1 None.
- 11. Contact**
- 11.1 Paul Taylor – p.taylor@spelthorne.gov.uk

Background papers: *(These are unpublished papers upon which you have relied in preparing this report). If none state, There are none.*

Appendices:

Appendix A – List of capital projects to be added to the Estimated Capital Programme for 2022/23 to 2025/26

Appendix B – Estimated Capital Programme for 2022/23 to 2025/26 as at 23 June 2022.

23/06/2022

Adjustments to Estimated Capital Programme 2022/23 to 2025/26

Appendix A

Service Head	Cost Centre	Description	Council Approved project
Jackie Taylor	41608	Laleham Park- Portacabins	116,000
Alistair Corkish	43632	General ICT Equipment (Other)	-50,147
Alistair Corkish	43635	Storage Area Network	-250,000
			<hr/> -184,147
Control totals			
Capital programme before			306,751,815
adjustments			-184,147
Capital Programme			<hr/> 306,567,668
			306,567,668
Difference			0

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Portfolio / Service	Head Cost Centre	Description	Estimated expenditure at 31 March 2022	Revised Cumulative Budget 2017-25	New Growth bids for 2022/23	Total	2022/23	2023/24	2024/25	2025/26	Total
Housing Investment Programme											
Community Wellbeing & Housing- DFG											
<u>Cost Code</u>											
Karen Sinclair & Debor:	402038261	Disabled Facilities Mandatory	0	0	943,200	943,200	943,200	943,200	943,200	943,200	3,772,800
Karen Sinclair & Debor:	402048261	Disabled Facilities Discretion	0	0	29,600	29,600	29,600	29,600	29,600	29,600	118,400
	402038262	Grants received from Central Government	0	0	-972,800	-972,800	-972,800	-972,800	-972,800	-972,800	-3,891,200
Total For HIP			0	0	0	0	0	0	0	0	0
Other Capital Programme											
Environment & Sustainability											
Terry Collier	416068225	County Transit Site	0	127,000	0	127,000	127,000	0	0	0	127,000
Jackie Taylor	416098252	Replacement Spelride Bus	0	100,000	0	100,000	100,000	0	0	0	100,000
Jackie Taylor	416208252	Wheelie Bins	0	0	50,000	50,000	50,000	50,000	50,000	50,000	200,000
Jackie Taylor	415038252	Replacement refuse vehicle	0	0	80,000	80,000	80,000	245,000	405,000	270,000	1,000,000
Jackie Taylor	415038225	Replacement refuse vehicle	0	0	-45,000	-45,000	-45,000	0	0	0	-45,000
Jackie Taylor	416088225	Laleham Park- Portacabins	0	0	116,000	116,000	116,000	0	0	0	116,000
Isabel Soane	416088225	River Ash Broadwalk	0	0	150,000	150,000	150,000	0	0	0	150,000
Isabel Soane	416088252	River Ash Broadwalk	0	0	-150,000	-150,000	-150,000	0	0	0	-150,000
		River Thames Scheme	0	0	0	0	1,300,000	0	0	0	1,300,000
Lee O'Neil	413148225	Air Quality	0	24,500	0	24,500	24,500	0	0	0	24,500
Committee Total			0	251,500	201,000	452,500	452,500	1,595,000	455,000	320,000	2,822,500
Community Welfare & Housing											
Nick Cummings	410248225	Spelthorne Leisur Cen	-2,307,372	48,370,000	0	46,062,628	7,253,000	23,348,000	7,143,000	368,628	38,112,628
Nick Cummings	413288225	Ashford MSCP Residential Scheme	-40,005	15,267,000	0	15,226,995	8,000,000	7,226,995	0	0	15,226,995
Nick Cummings	420528225	Whitehouse - Design Fees & Construction Ph	-379,878	2,990,000	0	2,610,122	0	2,610,122	0	0	2,610,122
Nick Cummings	420548225	Thameside House	-1,338,566	54,430,000	0	53,091,434	1,600,000	15,000,000	22,000,000	14,491,434	53,091,434
Nick Cummings	420578225	Victory Place (Ashford Hospital car park site)	-1,480,027	36,730,000	0	35,249,973	9,000,000	9,000,000	11,989,973	0	29,989,973
Nick Cummings	420608225	Oast House	-21,288,689	105,200,000	0	83,911,311	3,000,000	23,000,000	32,000,000	25,911,311	83,911,311
Marta Inge	420748225	Property acquisition for families	0	0	35,000,000	35,000,000	6,060,000	5,930,000	6,120,000	16,890,000	35,000,000
Jayne Bronlow	420148225	Separate Search Moves	0	0	49,875	49,875	49,875	0	0	0	49,875
Committee Total			-26,834,537	262,987,000	35,049,875	271,202,338	34,962,875	86,115,117	79,252,973	57,661,373	257,992,338

Portfolio / Service	Head Cost Centre	Description	Estimated expenditure at 31 March 2022	Revised Cumulative Budget 2017-25	New Growth bids for 2022/23	Total	2022/23	2023/24	2024/25	2025/26	Total
Corporate Policy & Resources											
Nick Cummings	420638225	Elmsleigh Centre	-390,331	5,350,000	0	4,959,669	2,000,000	2,609,669	350,000	0	4,959,669
Nick Cummings	420658225	William Hill	0	6,000,000	0	6,000,000	200,000	4,300,000	1,500,000	0	6,000,000
Nick Cummings	420668225	Tothill MSCP	0	4,500,000	0	4,500,000	500,000	4,000,000	0	0	4,500,000
Nick Cummings	420678225	Decathlon Unit	0	2,150,000	0	2,150,000	0	2,150,000	0	0	2,150,000
Paul Taylor	436098253	Centros Upgrade - systems and processes	0	0	384,400	384,400	190,000	194,400	0	0	384,400
Nick Cummings	420688225	Elmsleigh Centre WCs	0	0	50,000	50,000	50,000	0	0	0	50,000
Nick Cummings	420688239	Elmsleigh Centre WCs	0	0	-25,000	-25,000	-25,000	0	0	0	-25,000
Nick Cummings	420698225	Ashford Community Centre	0	0	3,500,000	3,500,000	3,500,000	0	0	0	3,500,000
Nick Cummings	420708225	Cedars Rec Toilet block	0	0	250,000	250,000	250,000	0	0	0	250,000
Nick Cummings	420718225	Greeno Rec	0	0	1,200,000	1,200,000	1,200,000	0	0	0	1,200,000
Nick Cummings	420728225	Manor Park Pavilion	0	0	750,000	750,000	750,000	0	0	0	750,000
Nick Cummings	420388225	Project A	0	0	20,000,000	20,000,000	20,000,000	0	0	0	20,000,000
Nick Cummings	420738225	Revelstoke	0	0	400,000	400,000	400,000	0	0	0	400,000
		Committee Total	-390,331	18,000,000	26,509,400	44,119,069	29,015,000	13,254,069	1,850,000	0	44,119,069
Neighbourhood Services											
Jackie Taylor	413028252	Car Park Management System update in Elmsleigh Surface+MSCP	0	0	250,000	250,000	250,000	0	0	0	250,000
Jackie Taylor	42,676	Sandhills Meadow Bridge - Contribution	0	0	200,000	200,000	200,000	0	0	0	200,000
Jackie Taylor	413088252	PCN/Permit/Season Ticket management and issuance management system	0	0	50,000	50,000	50,000	0	0	0	50,000
		Committee Total	0	0	500,000	500,000	500,000	0	0	0	500,000

Portfolio / Service Head Cost Centre	Description	Estimated expenditure at 31 March 2022	Revised Cumulative Budget 2017-25	New Growth bids for 2022/23	Total	2022/23	2023/24	2024/25	2025/26	Total
Regulatory & Administration										
Nick Cummings	420108225 KG Car Park Improvements	-79,901	100,000	0	20,099	20,099	0	0	0	20,099
Jodie Hawkes	436028252 Centro Upgrade - Integra	0	30,000	0	30,000	30,000	0	0	0	30,000
Kamal Mehmood & Cai	436048252 Leisure Board	0	15,000	0	15,000	15,000	0	0	0	15,000
Alistair Corkish	435068252 Scan Digital Rollout	0	20,000	0	20,000	20,000	0	0	0	20,000
Alistair Corkish	436078252 Recabling	0	200,000	0	200,000	200,000	0	0	0	200,000
Roy Tilbury	436258252 Customer Portal	0	8,000	0	8,000	8,000	0	0	0	8,000
Roy Tilbury	436268252 Customer Services Contact Cent	-5,538	40,000	0	34,462	34,462	0	0	0	34,462
Roy Tilbury	436298253 SharePoint Upgrade	35,000	35,000	0	70,000	70,000	0	0	0	70,000
General Hardware, Software and										
Alistair Corkish	436108252 Mobiles/Tablets	0	0	50,000	50,000	50,000	0	0	0	50,000
Alistair Corkish	436138252 VDI Hosts	0	0	60,000	60,000	60,000	0	0	0	60,000
Alistair Corkish	436148252 Network Infrastructure	0	0	170,000	170,000	0	170,000	0	0	170,000
Sandy Muirhead	435018252 Forward Scanning	0	20,000	0	20,000	20,000	0	0	0	20,000
Sandy Muirhead	435028253 Digital Spelthorne	0	50,000	0	50,000	50,000	0	0	0	50,000
Sandy Muirhead	435128252 SharePoint redesign & Relaunch	0	155,000	0	155,000	155,000	0	0	0	155,000
Sandy Muirhead	435158253 Corporate EDMS Project	0	231,200	0	231,200	231,200	0	0	0	231,200
Committee Total		-50,439	904,200	280,000	1,133,761	963,761	170,000	0	0	1,133,761
Total For Other		-27,275,307	282,142,700	62,540,275	317,407,668	65,894,136	101,134,186	81,557,973	57,981,373	306,567,668
Total Expenditure			282,142,700	63,733,075	318,600,468	67,086,936	102,106,986	82,530,773	58,954,173	310,678,868
Less Funding			0	-1,192,800	-1,192,800	-1,192,800	-972,800	-972,800	-972,800	-4,111,200
NET Capital expenditure			282,142,700	62,540,275	317,407,668	65,894,136	101,134,186	81,557,973	57,981,373	306,567,668

Regeneration
Housing

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Corporate Policy and Resources Committee



11 July 2022

Title	Treasury Management Annual Report 2021/22
Purpose of the report	To note
Report Author	Anna Russell, Deputy Chief Accountant
Ward(s) Affected	All Wards
Exempt	No
Corporate Priority	Community Affordable housing Recovery Environment Service delivery
Recommendations	Committee is asked to: Note the treasury outturn position for 2021/22.
Reason for Recommendation	Not applicable

1. Summary

- 1.1 Treasury Management has performed within and near Prudential Indicators for the year to the end of March 2022 as outlined in the next section and detailed at **Appendix A**. Performance compared to expectations is shown by a RAG (Red Amber Green) system in this report. Performance compared to other councils in England is shown at **Appendix B**.
- 1.2 The Council takes a prudent approach to Treasury Management, both in how its debt is structured and repaid, and in its strategic investment of funds. This is important in the context of financial risks including the potential loss of invested funds and the revenue effect of changing interest rates.
- 1.3 This report covers treasury activity and the monitoring and control of associated risks. Context and economic background to this report is provided at **Appendix C**.

2. Treasury management report information

Summary position

- 2.1 Prudential Indicators (PIs) are listed in Table 1 and are flagged up in this report with, for example, figures highlighted green and with a 'G' where within the PI level. PIs as at 31 March 2022 are summarised in the next section, as well as at Appendix A with comments and a key to the RAG indicators.

Table 1: Treasury Management Prudential Indicators as at 31 March 2022

Indicator	PI Level	31/03/2022	RAG Indicator
	£m	£m	
Capital Financing Requirement (CFR)			
CFR as at 31/03/2022	1,149	1,118	G
Total outstanding debt	1,144	1,122	G
Debt below CFR		Yes	G
Liquidity: cash availability	20	53	G
Affordable borrowing			
Authorised limit	1,450		
Operational boundary	1,350		
Outstanding borrowing		1,122	G
Maturity Structure of Borrowing			
	Upper limit	£m	Of total
Under 12 Months	10%	(12)	1%
1 – 2 Years	15%	(28)	3%
>2 – 5 Years	20%	(45)	4%
>5 – 10 Years	25%	(82)	8%
>10 – 20 Years	50%	(194)	18%
>20 – 30 Years	75%	(241)	22%
>30 – 40 Years	90%	(294)	27%
>40 – 50 Years	100%	(178)	17%
	Total	(1,074)	100%
Other			
Price Risk Indicator	£70m	£36m	G
Standalone financial derivatives	Limited	None	G

KEY	
Exceed PI significantly	R
Near but not within PI	A
Within or at PI level	G

- 2.2 The Council has significant levels of long-term borrowing of £1,077m (Table 3), secured to fund completed residential and regeneration schemes as well as historic investment property. The Council's current strategy for funding capital developments is to fix at relatively low long-term borrowing rates, in the context of current interest rate risk issues, while maintaining the investment portfolio that has been built up.
- 2.3 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These are summarised in Tables 2 and 3 below.

Table 2: CFR Summary as at 31 March 2022

	2020/21 Year end	2021/22 Movement	2021/22 Year end
	£m	£m	£m
Opening Capital Financing Requirement	1,116.1	12.5	1,128.6
<i>Capital investment</i>			
Property, Plant and Equipment	27.7	(23.0)	4.7
Revenue Spend Funded from Capital under Statute	0.9	0.1	1.0
Total Capital Investment	28.7	(22.7)	6.0
<i>Sources of Finance</i>			
Capital Receipts	(0.4)	(0.3)	(0.7)
Government Grants and Contributions	(1.0)	(1.6)	(2.6)
Revenue contributions	(2.9)	1.7	(1.2)
Repayment of debt	(11.9)	(0.4)	(12.3)
Total Sources of Finance	(16.2)	(0.6)	(16.8)
Closing Capital Financing Requirement	1,128.6	(10.8)	1,117.8

G

- 2.4 The CFR represents the cost of capital expenditure that remains to be financed, after applying sources of finance. This therefore is the underlying need to borrowing. This year's opening CFR (1 April 2021) of £1,128.6m decreased by a (£22.7m) fall in capital expenditure during 2021/22 and decreased by (£0.6m) of funds applied, leaving a closing CFR of £1,117.8m. The fall in capital expenditure reflects the delays in capital projects during 2021/22.

Table 3: Treasury Management Summary

	Balance 31/03/2021 £m	Movement £m	Balance 31/03/2022 £m	Rate 31/03/2022 %
Long-term borrowing	(1,054)	(23)	(1,077)	2.27%
Short-term borrowing	(78)	33	(45)	1.09%
Total borrowing	(1,132)	10	(1,122) G	
Long-term investments	34	2	36	4.33%
Short-term investments	54	(14)	40	0.50%
Cash and cash equivalents	12	41	53 G	0.08%
Total investments	100	29	129	
Net borrowing	(1,032)	39	(993)	

2.5 For the year to 31 March 2022, the Council had net borrowing of £993m arising from its revenue and capital income and expenditure. This represents a projected reduction of £39m in net borrowing. Borrowing is lower than expected because of delays in the Capital Programme, including by Staines-upon-Thames high-rise moratoria, and has also reduced because borrowing by the Council is structured prudently so that loans are repaid over the useful life of assets on a year-by-year basis.

2.6 Council funds are being kept sufficiently liquid to ensure that funding is readily available for development project costs expected over the coming months as capital projects start again, as well as for expected cash flow requirements.

2.7 The Council held £1,119m of loans as at 31 March 2022, a decrease of £17m from 31 March 2021. Outstanding loans are summarised in Table 4 next.

Table 4: Borrowing Position

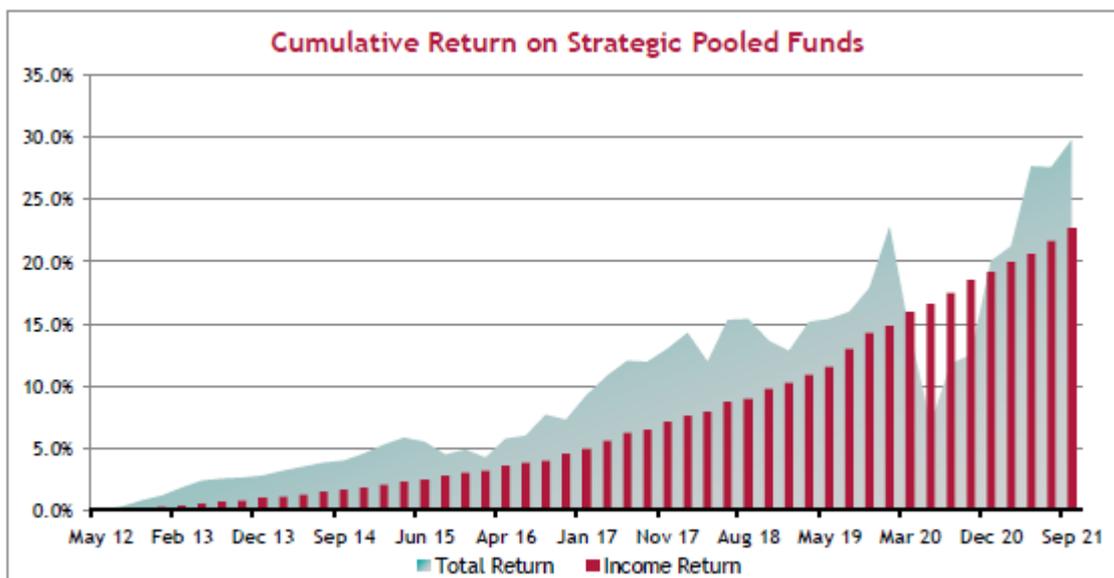
	Balance 31/03/2021 £m	Net Movement £m	Balance 31/03/2022 £m	Rate 31/03/2022 %	Maturity (weighted average years)
Public Works Loan Board	1,051	23	1,074	2.27%	44
Local authorities - long-term	7	(7)	-	-	
Local authorities - short-term	78	(33)	45	1.09%	<1
Total Borrowing	1,136	(17)	1,119 G		

2.8 The Council's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term funding and asset management plans change.

2.9 The Council's investment portfolio totalled £129.0m as at 31 March 2022, with £93.2m of this being short-term and cash funds. A breakdown of investments is given in **Appendix D**.

2.10 As at 31 March 2022, funds totalling £35.4m of the Council's investments are held in externally managed strategic 'pooled' funds (bond, equity, multi-asset and property), where short-term security and liquidity are lesser

considerations, and the objectives instead are regular revenue income and long-term price stability, as exemplified in the graph below, showing long run cumulative returns, and demonstrating that the dip in capital values caused by the Pandemic has been more than reversed. These funds generated a return of £1.1m to end March 2022 (4.33%). A full list of these and their current performance is detailed in **Appendix E**.



- 2.11 The performance of the Council’s portfolio is illustrated by benchmarking carried out by Arlingclose using data from their clients (Appendix B). Arlingclose figures, which are different from the Council’s equivalent figures, are produced before the Council’s, which includes end of year adjustments. The Investment Benchmarking (Appendix B page 1) shows that Spelthorne has:
- significant levels of investments (£128m compared to £95.2m average)
 - with good security (A+ average credit rating compared to AA- average, and 30% bail-in exposure risk compared to 60% average). ‘Bail-in’ refers to when a bank fails, and its shareholders and creditors lose shares and claims in order to restore the bank’s viability.
 - fair liquidity (10% available within 7 days compared to 53% average), though noting that for strategic pooled funds, which are held for the long-term, the council has substantially more at 28% compared to the average of 13%.
 - a fair yield of 4.06% on strategic funds and 1.34% on total investments compared to averages of 3.90% and 0.97% respectively.
- 2.12 The Council is looking to reduce its short-term cash funds over the coming year as capital projects start to come back online after the slowdown caused by the pandemic.
- 2.13 During 2021/22, the Council received significantly lower income from its cash and short-dated money market investments and from its externally managed funds than it did in pre-COVID 2019/20 and earlier years. Dividends and income paid will ultimately depend on many factors including COVID-19 and the extent of its economic impact, the energy crisis, and measures taken to address inflationary pressures in the economy.

- 2.14 Council continues to review its approach to ethical and sustainable investment with advice through the Arlingclose ESG and Responsible Investment service for local authorities. (ESG = Environmental, Social and Governance.)
- 2.15 The Council held non-treasury investments in directly owned property valued at £916.4m at the end of March 2022, as well as shareholding in Knowle Green Estates Limited, with residential property of £31.4m, and in Spelthorne Direct Services Limited which delivers commercial waste services.
- 2.16 These investments are expected to generate £51.0m of rental investment income for the Council, after landlord costs, representing a rate of return of 5.4%. This return helps towards supporting the cost of Council's services even after accounting for sinking funds set aside to address future property costs.
- 2.17 The Chief Finance Officer reports that treasury management activities undertaken during the first half year complied with the CIPFA Code of Practice and the Authority's approved Treasury Management Strategy, although noting that limits on the bank account were exceeded on six occasions, two of which were due to system failures of third parties, and four of which were due to conflicting team commitments. Measures have been put in place to tighten up on processes and checks. Cover for the roles and monitoring of the function also being strengthened through training and review for example of the effectiveness of process changes

3. Financial implications

- 3.1 The financial implications are as set out in this report. The ability to maximise interest returns is paramount to generate sufficient funds to support the General Fund and even a small decline in interest rates can mean a significant reduction in cash returns. Therefore, it is our aim to continue to maintain flexibility commensurate with the high level of security and liquidity and minimal risk when making investment decisions.

4. Risk considerations

- 4.1 There are no risk implications arising from the report, which is for noting.

5. Legal considerations

- 5.1 There are no legal implications arising from the report, which is for noting.

6. Other considerations

- 6.1 The Council fully complies with best practice as set out in CIPFA's 2021 Treasury Management and Prudential Codes and in the Government's Guidance on Investments effective from April 2018. As issues arise, as when limits were breached as noted 2.15, measures are taken to address the underlying reasons.
- 6.2 Nothing in the Council's current strategy is intended to preclude or inhibit capital investment in local projects deemed beneficial to the local community and which have been approved by the Council.

7. Equality, Diversity and Inclusion

7.1 Equality, diversity and inclusion (EDI) are central to everything that we do and are woven throughout our Strategic Plans.

8. Sustainability/Climate Change Implications

8.1 The Council discusses ESG (Environmental, Social and Governance) issues with its advisers on a regular basis and has asked them to assist the Council to manage a transition over time towards a more environmentally sustainable portfolio.

9. Timetable for implementation

9.1 Not applicable.

Background papers: There are none.

Appendices:

- Appendix A – TM Prudential Indicators
- Appendix B – Benchmarking v2
- Appendix C – Context and Background v4
- Appendix D – Details of Investments
- Appendix E – Strategic Pooled Funds

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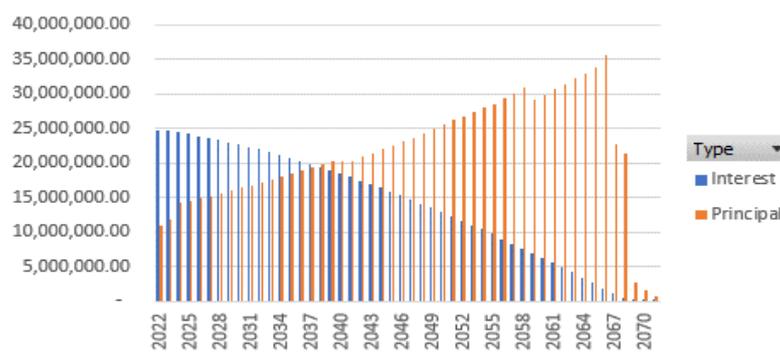
Treasury Management Prudential Indicators as at 31 March 2022

KEY		
Exceed PI significantly	R	Not within target
Near but not within PI	A	Near target
Within or at PI level	G	At or below target

Performance Indicator	PI Level	31/03/2022	RAG Indicator	Comment
	£m	£m		
Capital Financing Requirement				
CFR as at 31/03/2022	1,149	1,118	G	Less than forecast for year Delays in planned capital projects due to COVID crisis has resulted in CFR below target at year end.
Total outstanding debt	1,144	1,122	G	Less than CFR
Debt below CFR	CFR below	Yes	G	'Internal' borrowing
Liquidity risk indicator				
- cash availability	20	53	A	Money market funds are used to ensure instant access availability of up to £50m.
Affordable borrowing				
Authorised limit	1,450			
Operational boundary	1,350			
Outstanding borrowing		1,122	G	Less than the borrowing limits.

Maturity Structure of Borrowing

	Upper limit	£m	Proportion	
Under 12 Months	10%	(12)	1%	G
1 – 2 Years	15%	(28)	3%	G
>2 – 5 Years	20%	(45)	4%	G
>5 – 10 Years	25%	(82)	8%	G
>10 – 20 Years	50%	(194)	18%	G
>20 – 30 Years	75%	(241)	22%	G
>30 – 40 Years	90%	(294)	27%	G
>40 – 50 Years	100%	(178)	17%	G
Total		(1,074)	100%	

PWLB repayment profile**Other**

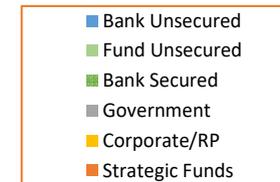
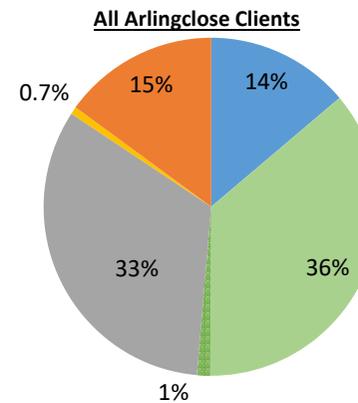
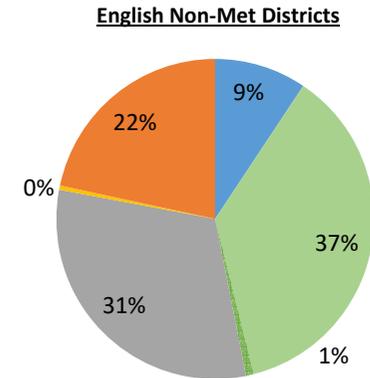
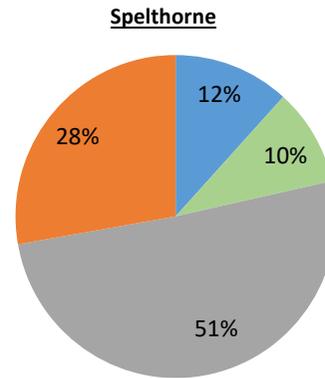
Price Risk Indicator	£70m	£36m	G	Limit on principal invested beyond year end.
Standalone financial derivatives	Limited	None	G	Only used where demonstrated to reduce the overall level of the financial risks.
	£m	£m		
'Net Revenue Stream'	13.3	8.5		The amount to be met from gov grants and local taxpayers.
Financing costs	35.6	35.2		Debt-related costs
Financing as % of net revenue	268%	414%	G	
Investment properties - income	(53.7)	(53.3)		
- Net of financing costs	(18.1)	(18.1)		

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Investment Benchmarking
31 March 2022

	Spelthorne	48 English Non-Met Districts Average	121 LAs Average
Investment			
Internal Investments	£92.5m	£39.8m	£80.4m
Cash Plus & Short Bond Funds	£0.0m	£1.6m	£2.2m
Strategic Pooled Funds	£35.5m	£13.2m	£12.6m
TOTAL INVESTMENTS	£128.0m	£54.6m	£95.2m
Security			
Average Credit Score	4.91	4.37	4.39
Average Credit Rating	A+	AA-	AA-
Average Credit Score (time-weighted)	4.80	4.11	4.17
Average Credit Rating (time-weighted)	A+	AA-	AA-
Number of Counterparties / Funds	25	13	14
Proportion Exposed to Bail-in	30%	61%	60%
Liquidity			
Proportion Available within 7 days	10%	51%	53%
Proportion Available within 100 days	49%	66%	72%
Average Days to Maturity	110	43	14
Market Risks			
Average Days to Next Rate Reset	117	64	50
Strategic Fund Volatility	6.6%	3.2%	4.5%
Yield			
Internal Investment Return	0.29%	0.46%	0.46%
Cash Plus Funds - Income Return	-	0.41%	0.37%
Strategic Funds - Income Return	4.06%	3.80%	3.90%
Total Investments - Income Return	1.34%	1.18%	0.97%
Cash Plus Funds - Capital Gain/Loss	-	-0.99%	-0.87%
Strategic Funds - Capital Gain/Loss	5.26%	8.04%	8.67%
Total Investments - Total Return	2.80%	2.38%	2.10%



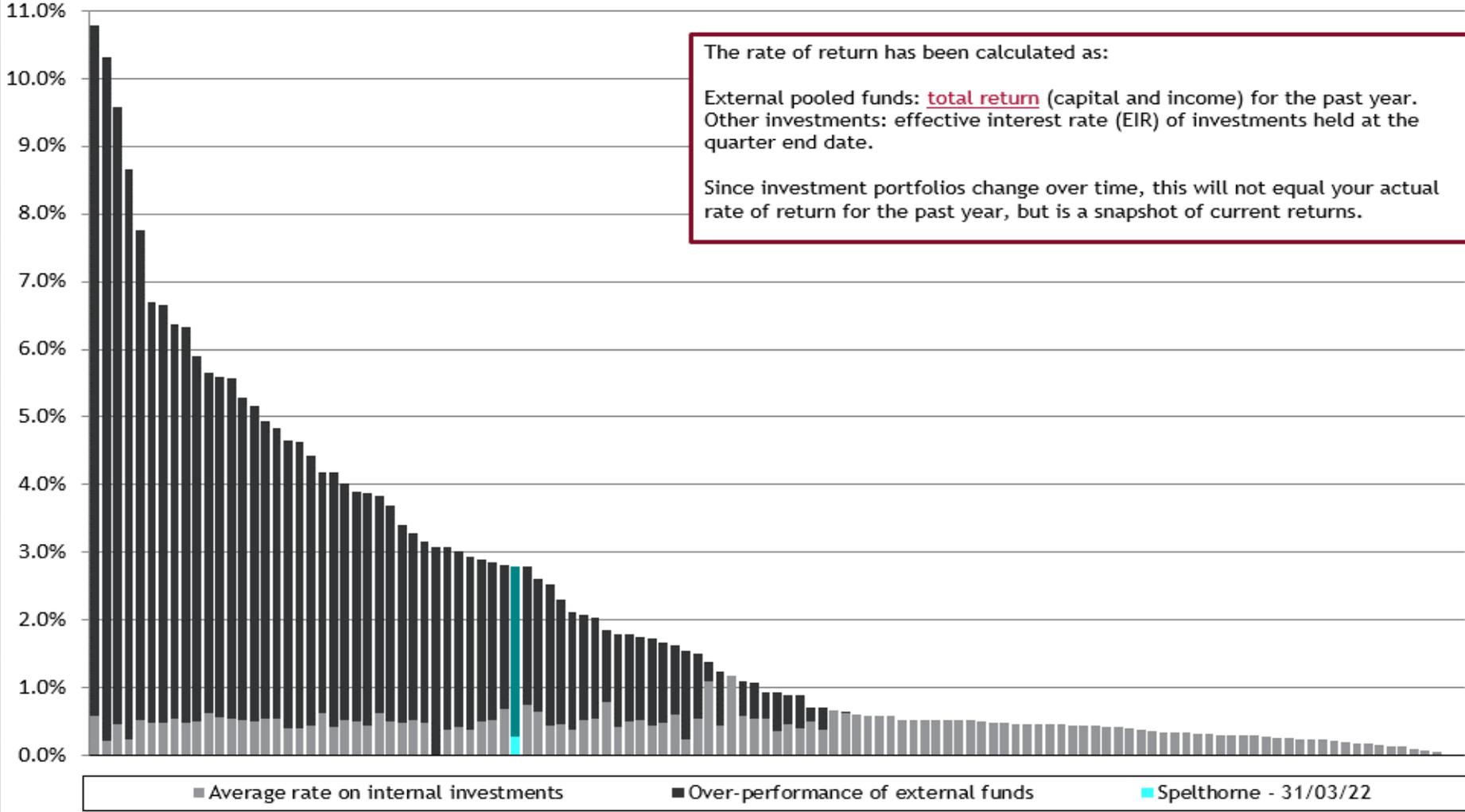
Notes

- Unless otherwise stated, all measures relate to internally managed investments only, i.e. excluding external pooled funds.
- Averages within a portfolio are weighted by size of investment, but averages across authorities are not weighted.
- Credit scores are calculated as AAA = 1, AA+ = 2, etc.
- Volatility is the standard deviation of weekly total returns, annualised.

Benchmarking carried out by Arlingclose using data from their clients

- Spelthorne shown as blue bar (ranked 38th out of 121)

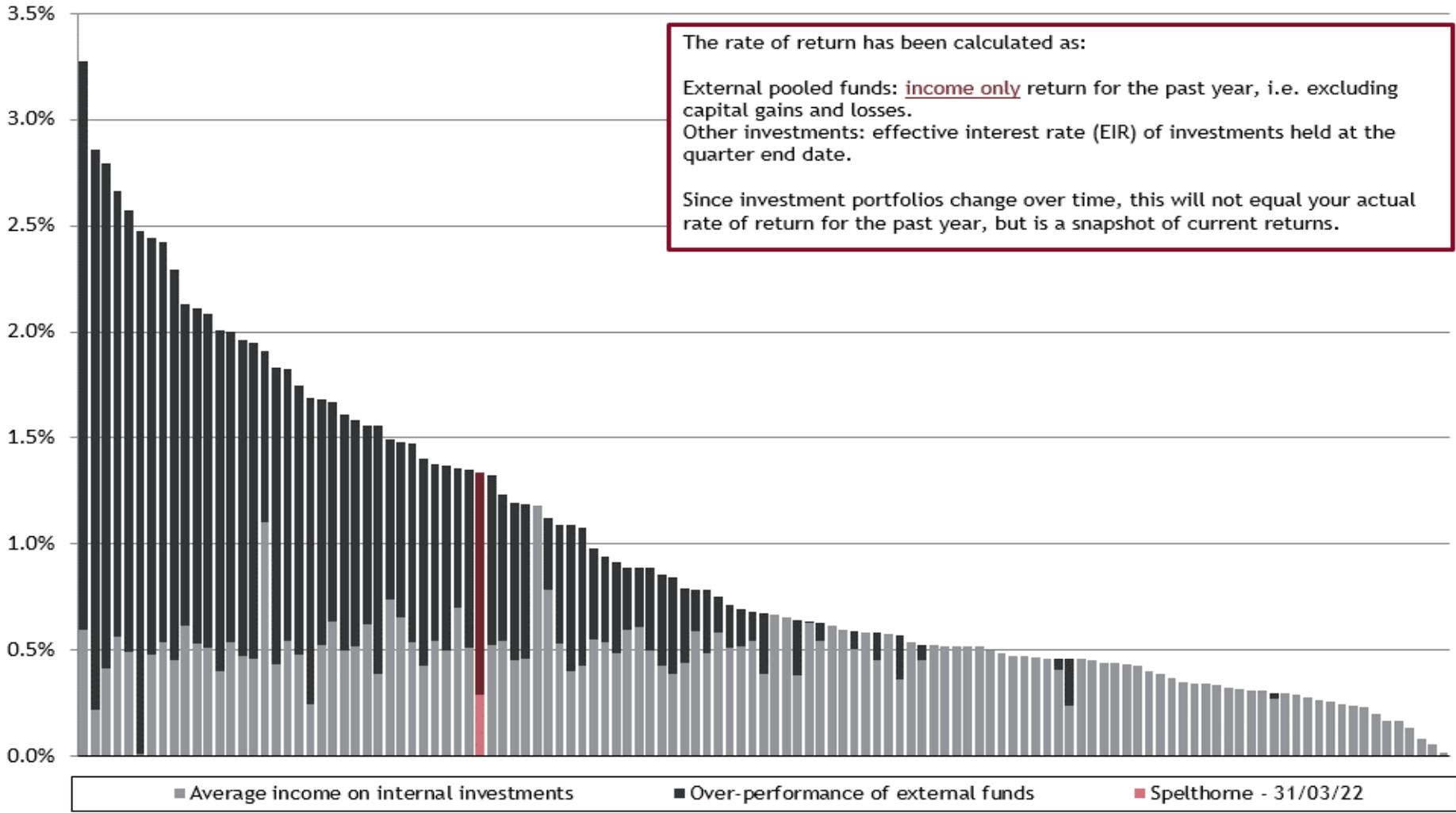
Total Return on Total Investment Portfolio (Internal & External Funds)



Benchmarking carried out by Arlingclose using data from their clients

- Spelthorne shown as red bar (ranked 31st out of 121)

Income Only Return on Total Investments (Internal & External Funds)



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Background for TM report as at 31 March 2022

1. Spelthorne Borough Council's Context

- 1.1. Treasury Management is the management of the Council's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.
- 1.2. The Council adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code), which requires the Council to report on performance of the treasury management function at least twice yearly (mid-year and at year end).
- 1.3. The Council's Treasury Management Strategy for 2021/22 was reviewed and approved by Cabinet on 27 January 2021, and approved by Council on 25 February 2021, and has been consistently applied since the beginning of the financial year.
- 1.4. The 2021 Prudential Code includes a requirement for local authorities to provide a Capital Strategy, a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The Council's Capital Strategy for 2021/22, complying with CIPFA's requirement, was approved by Council on 25 February 2021.
- 1.5. The following sections are based on advice from Spelthorne's treasury adviser Arlingclose.

2. External Context

- 2.1. **Economic background:** The continuing economic recovery from coronavirus pandemic, together with the war in Ukraine, higher inflation, and higher interest rates were major issues over the period.
- 2.2. Bank Rate was 0.1% at the beginning of the reporting period. April and May saw the economy gathering momentum as the shackles of the pandemic restrictions were eased. Despite the improving outlook, market expectations were that the Bank of England would delay rate rises until 2022. Rising, persistent inflation changed that.
- 2.3. UK CPI was 0.7% in March 2021 but thereafter began to steadily increase. Initially driven by energy price effects and by inflation in sectors such as retail and hospitality which were re-opening after the pandemic lockdowns, inflation then was believed to be temporary. Thereafter price rises slowly became more widespread, as a combination of rising global costs and strong demand was exacerbated by supply shortages and transport dislocations. The surge in wholesale gas and electricity prices led to elevated inflation expectations. CPI for February 2022 registered 6.2% year on year, up from 5.5% in the previous month and the highest reading in the National Statistic series. Core inflation, which excludes the more volatile components, rose to 5.2% y/y from 4.4%.
- 2.4. The government's jobs furlough scheme insulated the labour market from the worst effects of the pandemic. The labour market began to tighten and demand for workers grew strongly as employers found it increasingly difficult to find workers to fill vacant jobs. Having peaked at 5.2% in December 2020, unemployment continued to fall and the most recent labour market data for the three months to January 2022 showed the unemployment rate at 3.9% while the employment rate rose to 75.6%. Headline 3-month average annual growth rate for wages were 4.8% for total pay and 3.8% for regular pay. In real terms, after adjusting for inflation, total pay growth was up 0.1% while regular pay fell by 1.0

- 2.5. With the fading of lockdown restraints, activity in consumer-facing sectors improved substantially as did sectors such as oil and mining with the reopening of oil rigs but materials shortages and the reduction in the real spending power of households and businesses dampened some of the growth momentum. Gross domestic product (GDP) grew by an upwardly revised 1.3% in the fourth calendar quarter of 2021 according to the final estimate (initial estimate 1.0%) and took UK GDP to just 0.1% below where it was before the pandemic. The annual growth rate was revised down slightly to 7.4% (from 7.5%) following a revised 9.3% fall in 2020.
- 2.6. Having increased Bank Rate from 0.10% to 0.25% in December, the Bank of England hiked it further to 0.50% in February and 0.75% in March. At the meeting in February, the Monetary Policy Committee (MPC) voted unanimously to start reducing the stock of its asset purchase scheme by ceasing to reinvest the proceeds from maturing bonds as well as starting a programme of selling its corporate bonds.
- 2.7. In its March interest rate announcement, the MPC noted that the invasion of Ukraine had caused further large increases in energy and other commodity prices, with the expectation that the conflict will worsen supply chain disruptions around the world and push CPI inflation to around 8% later in 2022, even higher than forecast only a month before in the February Monetary Policy Report. The Committee also noted that although GDP in January was stronger than expected with business confidence holding up and the labour market remaining robust, consumer confidence had fallen due to the squeeze in real household incomes.
- 2.8. GDP growth in the euro zone increased by 0.3% in calendar Q4 2021 following a gain of 2.3% in the third quarter and 2.2% in the second. Headline inflation remains high, with CPI registering a record 7.5% year-on-year in March, the ninth successive month of rising inflation. Core CPI inflation was 3.0% y/y in March, was well above the European Central Bank's target of 'below, but close to 2%', putting further pressure on its long-term stance of holding its main interest rate of 0%.
- 2.9. The US economy expanded at a downwardly revised annualised rate of 6.9% in Q4 2021, a sharp increase from a gain of 2.3% in the previous quarter. In its March 2022 interest rate announcement, the Federal Reserve raised the Fed Funds rate to between 0.25% and 0.50% and outlined further increases should be expected in the coming months. The Fed also repeated its plan to reduce its asset purchase programme which could start by May 2022.
- 2.10. **Financial markets:** The conflict in Ukraine added further volatility to the already uncertain inflation and interest rate outlook over the period. The Dow Jones started to decline in January but remained above its pre-pandemic level by the end of the period while the FTSE 250 and FTSE 100 also fell and ended the quarter below their pre-March 2020 levels.
- 2.11. Bond yields were similarly volatile as the tension between higher inflation and flight to quality from the war pushed and pulled yields, but with a general upward trend from higher interest rates dominating as yields generally climbed.
- 2.12. The 5-year UK benchmark gilt yield began the quarter at 0.82% before rising to 1.41%. Over the same period the 10-year gilt yield rose from 0.97% to 1.61% and the 20-year yield from 1.20% to 1.82%.
- 2.13. The Sterling Overnight Rate (SONIA) averaged 0.39% over the quarter.

- 2.14. **Credit review:** In the first half of FY 2021-22 credit default swap (CDS) spreads were flat over most of period and are broadly in line with their pre-pandemic levels. In September spreads rose by a few basis points due to concerns around Chinese property developer Evergrande defaulting but then fell back. Fitch and Moody's revised upward the outlook on a number of UK banks and building societies on the Council's counterparty to 'stable', recognising their improved capital positions compared to 2020 and better economic growth prospects in the UK.
- 2.15. Fitch also revised the outlook for Nordea, Svenska Handelsbanken and Handelsbanken plc to stable. The agency considered the improved economic prospects in the Nordic region to have reduced the baseline downside risks it previously assigned to the lenders.
- 2.16. The successful vaccine rollout programme was credit positive for the financial services sector in general and the improved economic outlook meant some institutions were able to reduce provisions for bad loans. However, in 2022, the uncertainty engendered by Russia's invasion of Ukraine pushed CDS prices modestly higher over the first calendar quarter, but only to levels slightly above their 2021 averages, illustrating the general resilience of the banking sector.
- 2.17. Having completed its full review of its credit advice on unsecured deposits, in September Arlingclose extended the maximum duration limit for UK bank entities on its recommended lending list from 35 days to 100 days; a similar extension was advised in December for the non-UK banks on this list. As ever, the institutions and durations on the Council's counterparty list recommended by Arlingclose remains under constant review.

3. Revised CIPFA Codes, and Updated PWLB Lending Facility Guidance

- 3.1. In August 2021, HM Treasury significantly revised guidance for the PWLB lending facility with more detail and twelve examples of permitted and prohibited use of PWLB loans. Authorities that are purchasing or intending to purchase investment assets primarily for yield will not be able to access the PWLB except to refinance existing loans or externalise internal borrowing. Acceptable use of PWLB borrowing includes service delivery, housing, regeneration, preventative action, refinancing and treasury management.
- 3.2. CIPFA published its revised Prudential Code for Capital Finance and Treasury Management Code on 20 December 2021. The key changes in the two codes are around permitted reasons to borrow, knowledge and skills, and the management of non-treasury investments.
- 3.3. The principles of the Prudential Code took immediate effect although local authorities can defer introducing the revised reporting requirements until the 2023/24 financial year if they wish. The Council is reviewing reporting during 2022/23 with a view to implementation of the revised reporting by 2023/24.
- 3.4. To comply with the Prudential Code, authorities must not borrow to invest primarily for financial return. This Code also states that it is not prudent for local authorities to make investment or spending decision that will increase the CFR unless directly and primarily related to the functions of the authority. Existing commercial investments are not required to be sold; however, authorities with existing commercial investments who expect to need to borrow should review the options for exiting these investments.

- 3.5. Borrowing is permitted for cashflow management, interest rate risk management, to refinance current borrowing and to adjust levels of internal borrowing. Borrowing to refinance capital expenditure primarily related to the delivery of a local authority's function but where a financial return is also expected is allowed, provided that financial return is not the primary reason for the expenditure. The changes align the CIPFA Prudential Code with the PWLB lending rules.
- 3.6. Unlike the Prudential Code, there is no mention of the date of initial application in the Treasury Management Code. The TM Code now includes extensive additional requirements for service and commercial investments, far beyond those in the 2017 version. As with the Prudential Code, the Council is reviewing reporting during 2022/23 with a view to implementation of revised reporting by 2023/24.

4. Treasury Investment

- 4.1. CIPFA published a revised Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes on 20 December 2021. These define treasury management investments as investments that arise from the organisation's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.
- 4.2. Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimal rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
- 4.3. Ultra-low short-dated cash rates, which were a feature since March 2020 when Bank Rate was cut to 0.1%, prevailed for much of the 12-month reporting period resulting in the return on sterling low volatility net asset value (LVNAV) Money Market Funds being close to zero even after some managers had temporarily waived or lowered their fees. However, higher returns on cash instruments followed the increases in Bank Rate in December, February and March. At 31 March, the 1-day return on the Council's MMFs was 0.06% and 0.09%.
- 4.4. **Externally Managed Pooled Funds:** In the nine months to December improved market sentiment was reflected in equity, property and multi-asset fund valuations and, in turn, in the capital values of the property, equity and multi-asset income funds in the Council's portfolio. The prospect of higher inflation and rising bond yields did however result in muted bond fund performance. In the January- March quarter, the two dominant themes were tighter UK and US monetary policy and higher interest rates, and the military invasion of Ukraine by Russia in February, the latter triggering significant volatility and uncertainty in financial markets.
- 4.5. In light of Russia's invasion, Arlingclose contacted the fund managers of their MMF, cash plus and strategic funds and confirmed no direct exposure to Russian or Belarusian assets had been identified. Indirect exposures were immaterial. It should be noted that any assets held by banks and financial institutions (e.g. from loans to companies with links to those countries) within MMFs and other pooled funds cannot be identified easily or with any certainty as that level of granular detail is unlikely to be available to the fund managers or Arlingclose in the short-term, if at all.

- 4.6. **Treasury Management Indicators:** The Council measures and manages its exposures to treasury management risks using the indicators shown at Appendices A. Appendix B shows benchmarking details that Arlingclose provides shortly after year end. The indicators are slightly different from the detail in the Council's own results which are produced later after the year end, including for example accruing adjustments.

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Details of investments held as at 31 March 2022

Investment Type	Valuation £m	Yield %	Start Date	Maturity Date
<u>Pooled Investment Funds</u> <i>(see Appendix B for details)</i>				
WS Charteris Premium Income Fund	0.7	5.42%	11-May-12	N/A
Schroders UK Corporate Bond Fund	1.8	3.56%	11-May-12	N/A
Schroders Income Maximiser Fund	5.5	6.91%	01-Jun-21	N/A
M&G Global Dividend Fund	2.2	6.09%	27-Jun-12	N/A
M&G Global Dividend Fund	3.9	3.60%	20-Feb-19	N/A
M&G Optimal Income Sterling	1.7	2.38%	13-Apr-15	N/A
M&G UK Income Distribution Sterling	1.9	4.03%	15-Aug-16	N/A
Investec Diversified Income	2.7	2.87%	25-Aug-16	N/A
Investec Diversified Income	1.4	2.99%	20-Feb-19	N/A
Threadneedle Inv Services - UK Equity	2.2	3.45%	08-Sep-16	N/A
Threadneedle Inv Services - UK Equity	1.6	3.40%	21-Feb-19	N/A
Threadneedle Global Equity Fund	1.8	2.98%	21-Feb-19	N/A
CCLA - The LAs Property Fund	2.3	4.91%	31-Mar-13	N/A
CCLA - The LAs Property Fund	1.3	4.21%	30-Apr-14	N/A
UBS Multi- Asset Income Fund	1.4	4.37%	22-Feb-19	N/A
Kames Diversified Monthly Income Fund	3.0	5.10%	21-Feb-19	N/A
Total - Core Inv. Portfolio	35.4	4.33%	Average	
<u>Cash Flow Investments (ICD Portal)</u>				
BNP Paribas	10.0	0.06%	N/A	Instant Access
CCLA	3.2	0.09%	N/A	Instant Access
Total	13.2	0.08%		
Local Authorities	65.0	0.42%	N/A	Short term
Bank Deposits	5.0	0.05%	N/A	Short term
Other Investments	10.0	1.02%	N/A	17-Dec-21
<u>Funding Circle</u>				
Loans to small businesses	0.4		N/A	N/A
Total Investments at 31/03/2022	129.0	1.15%	Overall Av.	

Note that the Yield on Pooled Funds is based on the initial investment as given at Appendix E.

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Pooled (Strategic Investment) Funds as at 31 March 2022

Fund	Date of Purchase	Initial Investment £	Value as at 31/03/2021 £	Value as at 31/03/2022 £	Dividends Due to 31/03/2022 £	Annualised Dividend Yield %	Capital Gain(+)/ Loss(-) as at 30/09/2021 £	Total Return as at 30/09/2021 £	Total Return %
WS Charteris Premium Income Fund	11/05/12	800,120	789,937	741,843	43,337	5.42%	-58,277	-14,940	-1.9%
Schroders UK Corporate Bond Fund	11/05/12	1,500,000	1,954,930	1,833,803	53,425	3.56%	+333,803	+387,228	25.8%
Schroders Income Maximiser Fund	01/06/21	5,093,141	4,941,265	5,477,673	352,046	6.91%	+384,532	+736,578	14.5%
M&G Global Dividend Fund	27/06/12	1,000,000	1,954,878	2,217,557	60,933	6.09%	+1,217,557	+1,278,490	127.8%
M&G Global Dividend Fund	20/02/19	3,000,000	3,464,009	3,929,473	107,972	3.60%	+929,473	+1,037,445	34.6%
M&G Optimal Income Sterling	13/04/15	1,690,636	1,741,358	1,665,461	40,223	2.38%	-25,175	+15,048	0.9%
M&G UK Income Distribution Sterling	15/08/16	2,000,000	1,859,009	1,949,375	80,604	4.03%	-50,625	+29,979	1.5%
Ninety One Diversified Income	25/08/16	3,000,000	2,871,735	2,733,154	86,204	2.87%	-266,846	-180,642	-6.0%
Ninety One Diversified Income	20/02/19	1,500,000	1,494,630	1,422,504	44,866	2.99%	-77,496	-32,630	-2.2%
Threadneedle Inv Services - UK Equity	08/09/16	2,000,000	2,047,057	2,178,238	68,937	3.45%	+178,238	+247,175	12.4%
Threadneedle Inv Services - UK Equity	21/02/19	1,500,000	1,515,327	1,612,433	51,031	3.40%	+112,433	+163,464	10.9%
Threadneedle Global Equity Fund	21/02/19	1,500,000	1,682,876	1,829,488	44,667	2.98%	+329,488	+374,155	24.9%
CCLA - The LAs Property Fund	31/03/13	1,500,000	1,940,308	2,280,845	73,702	4.91%	+780,845	+854,547	57.0%
CCLA - The LAs Property Fund	30/04/14	1,000,000	1,107,885	1,302,326	42,083	4.21%	+302,326	+344,409	34.4%
UBS Multi- Asset Income Fund	22/02/19	1,500,000	1,457,781	1,370,240	65,501	4.37%	-129,760	-64,259	-4.3%
Aegon Diversified Monthly Income Fund	21/02/19	3,000,000	3,023,832	3,007,199	153,113	5.10%	+7,199	+160,313	5.3%
Value at 30/09/2021		31,583,898	33,846,817	35,551,612	1,368,645	4.33%	+3,967,714	+5,336,359	16.9%

Strategic Fund Performance as at 31 March 2022

Capital appreciation of these investments was 12.6% as at 31/03/22. Capital gains and losses may fluctuate throughout the period the investments are held. Any gains would only be realised when the funds are sold and losses would impact on the General Fund. Dividends are received at various times during the year, generally month, quarterly or half yearly.

The income yield for 2021/22 as at 31/03/22 is 4.3%, including accrued income.

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Corporate Policy & Resources Committee

11 July 2022



Title	<i>2021/22 Draft Unaudited Financial Statements</i>
Purpose of the report	To note
Report Author	<i>Paul Taylor Chief Accountant</i>
Ward(s) Affected	All Wards
Exempt	No
Corporate Priority	Community Affordable housing Recovery Environment Service delivery
Recommendations	Committee is asked to note the report and the draft unaudited financial statements, based upon the Outturn Report for 2021/22 submitted and agreed earlier at this Committee meeting.
Reason for Recommendation	<i>Spelthorne Borough Council must publish a draft set of unaudited accounts for 2021/22 by 31 July, in accordance with statutory deadlines..</i>

1. Summary of the report

- 1.1 In accordance with the Finance Team's audit timetable, on 31 May 2022, they had produced a draft set of unaudited accounts for the year ended 31 March 2022. The national target for councils to publish their draft accounts is 31st July for the 2021/22 accounts.
- 1.2 Once the Corporate Policy & Resources Committee has agreed the Outturn Report for the twelve months to 31 March 2022, see separate report on the agenda, any amendments will be incorporated into these draft unaudited financial statements.
- 1.3 The draft unaudited 2021/22 financial statements will also be made available for the Audit Committee for noting at their meeting on 28 July 2022
- 1.4 These draft accounts must be published on the Council's website by 31 July 2022, together with the relevant declarations, in order to meet our statutory deadlines.

2. Key issues

- 2.1 The Council's unaudited financial statements take the approved net expenditure outturn position at 31 March 2022, and then applies the capital

adjustments for depreciation, etc., together with the items included in other income, and expenditure, tax and nonspecific, financing and interest income and expenditure to arrive at the Comprehensive Income and Expenditure Statements (CIES) shown in the Accounts.

2.2 The main observation from the draft unaudited accounts are as follows:

- (a) The CIES shows an overall surplus of £22.8m (page 34) after applying all the technical and statutory adjustments mentioned in section 2.1 above. (these technical and statutory adjustments are set out in detail on Note 7 (page 60). The main reasons for the surplus are as follows:
 - i) An upward revaluation of (£4.9m) (2020/21: £(14.2m)) on our municipal assets that are revalued every 5 years, and officers will be reviewing this next year, as it is indicating that we may need to go to a two to three year revaluation programme.
 - ii) An upward revaluation of (£15.6m) (2020/21: £8.9m deficit) in the Council's share of Surrey Local Government Pension Fund net liabilities due to actuarial gains.
- (b) This year saw a further £23.0m (2020/21: £51.9m) reduction in our investment portfolio valuation. (Note 13 on page 69). This is a short term ongoing national situation as a result of the COVID-19 Pandemic, and represents a paper loss, Officers are of the opinion, that the long term upward trend in property values, as experienced with our municipal assets in 2.2 (a) I above, will return in the next two to three years and expect to see these impairment losses recovered. The Council holds these assets for their long term income streams, rather than capital appreciation, in 2021/22 the Council collected 99.98% (2020/21: 99.7%) of rental invoiced on its investment assets.
- (c) Council currently has no plans to sell off any of these properties and therefore, these losses will not crystallise, as any losses on disposal would significantly impact on the Council's earmarked reserves balances, as the Council, would have to cover any shortfalls in the General Fund.
- (d) The Council has managed to maintain its level of investment income, notably rents (see note 13 on page 59) from our investment properties at £53.3m (2020/21: £52.5m).
- (e) As a result of this strong performance in rental income received, the Council has managed to increase its contributions to the sinking fund reserves by £7.7m (2020/21: £5.3m) resulting in a balance of £33.6m on its sinking funds reserves, ensuring that it continues to protect residents from any significant downturn in rental income received. (subject to final confirmation of the revenue outturn report).
- (f) While Officers monitor the capital values, their focus will continue to remain on delivering rental yield that contributes to the approved regeneration programme, housing development, service delivery and increasing the contributions to our sinking fund reserves.
- (g) Officers have also taken the opportunity to increase the general fund reserves to just over £2m and will continue to increase this over the

coming years to ensure that Council has sufficient non earmarked funds to deal with year on year fluctuations.

- (h) The other factors mentioned in the Outturn Report for the year end 31 March 2022 have been reflected in these accounts.
- (i) Group accounts – Knowle Green Estates Ltd. (KGE), showed a revaluation loss of £2.0m (2020/21: £nil) and this was offset by a revaluation surplus of £3.6m (2020/21: £nil). Officer comments made in (f) above for Spelthorne Borough council draft accounts, apply to KGE, as the focus is on providing housing stock for keyworkers, young married couples, and disabled people within the Borough. Again, neither KGE nor the Council has any plans to sell these assets in the short to medium term.

3. The process

- 3.1 Once the draft accounts have been published on our website, that is it as far as amendments are concerned until completion of the audit.
- 3.2 Should there be any amendments required during the period from publication on 29 July 2022 to receiving the audit findings report, these will be documented and reported to the Audit committee, as part of the statutory audit process.

4. Financial implications

- 4.1 Addressed in the report above

5. Risk considerations

- 5.1 Whilst there are no financial risks involved with missing the statutory deadlines, for publishing the draft audited accounts, the Finance Team working closely with the Chief Finance Officer are keen to ensure that we comply with this and all our statutory deadlines.
- 5.2 As the Council processes evolve following the change to the Committee Structure of governance, officers will be requesting that in 2023/24, the Corporate Policy and Resources Committee hold a meeting in early May, to review the Outturn report for the year ended 31 March 2023. This will enable officers to reflect the Committee's recommendations in the draft financial statements for 2022/23, which will need to be published on 31 May 2023, as the government is reverting back to the original timeline for publication of the council's draft unaudited statement of accounts, following the pandemic.

6. Legal considerations

- 6.1 The Council must publish its 2021/22 unaudited financial statements by 31 July 2022 in accordance with statutory requirements.

7. Other considerations

- 7.1 None.

8. Equality and Diversity

- 8.1 None from this report

9. Sustainability/Climate Change Implications

- 9.1 None from this report

10. Timetable for implementation

- 10.1 The timeline for publishing the draft 2021/22 unaudited statement of accounts is as follows:
- (a) Draft statements completed by 31 May
 - (b) Corporate Policy & Resources Committee to review and approve the Outturn report for the 12 months to 31 March 2022 on 11 July 2022.
 - (c) Corporate Policy and Resources Committee to note the draft 2022/23 unaudited financial statements, subject to any amendments in b above. On 11 July 2022.
 - (d) Audit Committee to note the draft 2022/23 unaudited financial statements, subject to any amendments in b above. On 28 July 2022.
 - (e) Officers to publish the draft 2022/23 unaudited financial statements on the Council's website on 31 July 2022.

11. Contact

- 11.1 Paul Taylor Chief Accountant Tel: 01784 444262 E-mail: p.taylor@spelthrone.gov.uk .

Background papers: There are none.

Appendices:

Appendix A – Draft 2021/22 unaudited financial statements

Spelthorne Borough Council Draft Statement of Accounts 2021/22



Financial Statements and Annual Report

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Narrative Statement

By the Chief Finance Officer

Introduction

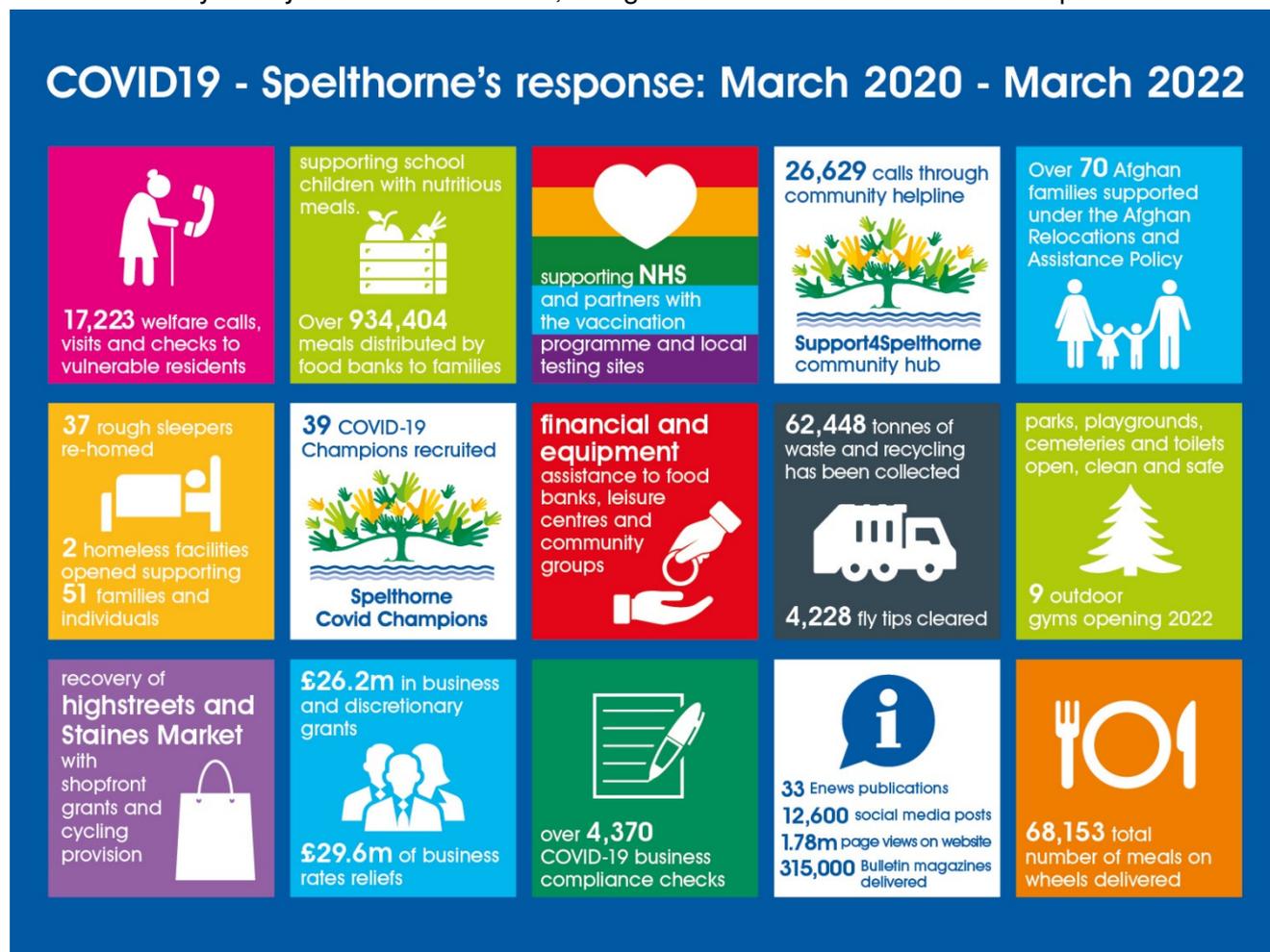
Welcome to Spelthorne Borough Council's statement of accounts for 2021/22. The Council's finances are complex, and we are required by law to include a great deal of detailed information and to present it in the prescribe format below.

The Narrative Statement presents an overview of the Council's accounts for the financial year ended 31 March 2022 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 financial year and in the context of the COVID-19 pandemic and the Council's Medium Term Financial Strategy (as set out in its Outline Budget reports).

As is the case across the country and globally the biggest challenge faced by the Council and its residents and business communities during 2021/22 has been dealing with the impacts of the second year of COVID-19 pandemic. This has included responding to the impacts of several lockdowns throughout the year and continuing to provide support to our vulnerable residents and communities and distributing grant support funding by Government to support businesses. 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 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.

In the table below, the Council highlights the extraordinary work carried out by the staff alongside their normal day to day activities and duties, alongside the efforts of volunteers and partners.



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 2021/22.

The purpose of the Statement of Accounts is to give electors, other local taxpayers, councillors, employees 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 a borough council located in the northwest corner of the administrative county of Surrey and it is the only Surrey borough council located north of the River Thames which runs along its boundary. The Borough covers 19.75 square miles and is a mix of urban and non-urban environments with 17% of the Borough made up of water and 12 miles of River Thames frontage. Prior to the COVID-19 pandemic it combined a vibrant economy with an attractive environment. The aviation, airport and logistics sectors are particularly important to the local economy, so there is a particular focus on understanding the longer-term impacts of the Pandemic on the economy and the Council's tax base.

The total population of Spelthorne according to the mid-year 2020 estimate (most recent available figure at time of publication) is 99,844 which is a 3.4% increase since the last Census in 2011. Figures from the 2021 Census are due for publication, just after these draft unaudited accounts are published and therefore are not available yet. There are 39,512 households with the average household size being 2.5 people.

Our population continues to age with 18.5% of residents being over 65 years of age, and with that proportion expected to increase in the coming years.

The urban part of the Borough comprises the towns of Ashford, Laleham, Shepperton, Staines-upon-Thames, Stanwell and Sunbury on Thames.

65% of Spelthorne is within the Green Belt and includes 18 Parks, embanked water retaining reservoirs, narrow buffering land being arable farming and horse grazing meadows with sheep grazing on the reservoir embankments.

The local economy comprises over 7,673 businesses including large employers like BP, Wood Group Kenny and Shepperton Studios. A major economic influence on the Borough continues to be Heathrow with the airport directly and indirectly being the largest source of employment within the Borough. The impact of the Pandemic on economic activity relating to Heathrow is a key concern. 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 Domesday book of 1086.

Spelthorne Borough Council is a multifunctional and complex organisation. Its policies are directed by the political administration and implemented by the Corporate Management Team.

Political Structure in the 2021/22 Municipal Year

Spelthorne has 13 wards represented by 39 Councillors. The Council last held an all-out borough elections on the 2 May 2019 and the current political make-up of the Council at 31 March 2022 is:

Conservative Party 15
Liberal Democrat Party 7
United Spelthorne Group 4
Independent Spelthorne Group 3
Labour Party 3
Breakthrough Party 2
Greens 2
Independents 2

At the year end, there was one vacant seat, which was filled by a Green Councillor on 25 May 2022.

At the Annual Council meeting on 27 May 2021, Council approved moving to a committee governance structure which means the Council ceased to have a “Strong” (Executive) Leader and Cabinet. Moving forward there are now a set of service committees which incorporate both executive and overview and scrutiny functions.

From 25 June 2020 to 27 May 2021 was Leader Cllr John Boughtflower and the Deputy Leader was Cllr Jim McIlroy. Following the Annual Council meeting on 27 May 2021 through to the Annual Council Meeting on 26th May 2022 the Leader has been Cllr Lawrence Nichols and the Deputy Leader is Cllr Joanne Sexton. On 26th May Cllr John Boughtflower became Leader and Cllr Tony Mitchell became Deputy Leader

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 Regeneration and Growth
- Group Head of Community and Wellbeing
- Group Head of Commissioning and Transformation
- Group Head of Neighbourhood Services
- Group Head of Corporate Governance (Monitoring Officer)
- Deputy Group Head Customer Relations

As at the end of March 2022 the Council employed 397.56 FTE equivalent staff (2020/21: 391.98 FTE).

COVID-19

The current financial year has continued to be overshadowed by the impact of COVID-19, with the Omicron variant causing issues for residents and businesses alike towards the end of 2021 and into 2022, with officers responding extremely well to our vulnerable and residents in need. As the year end approached the cost of living crisis increasingly emerged as an issue for our residents.

In the context of the Pandemic the Council achieved better than anticipated local tax collection rates, achieving 97.18% (2020/21: 96.7%) for Council Tax and 97.1% (2020/21: 85.43%) for Business Rates.

Revenue Outturn for 2021/22

The Council achieved a significant underspend of (£3.7m) on its revenue budget which enabled the level of reserves at the end of 2021/22 to be increased. This was a necessary move as the budget assumptions on inflation were based on 3% per annum and subsequent to the 2022/23 Budget being approved by Council on 24 February, inflation as measured by the Consumer Price Index (CPI) reached 9.1% for May 2022 and is projected by the Bank of England to peak above 11% during 2022, which means the Council must act now to protect our residents, our services and our finances.

The Council in response to the pandemic impacts pro-actively engaged with the tenants of its commercial properties. Overall, the Council managed to achieve a very good collection rate collecting 99.98% of the rents on commercial properties invoiced with respect to 2021/22. The Council in response to the pandemic has been reviewing on a weekly basis worst case and expected case scenario modelling, 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 2022 of £33.6m. (2020/21: £25.9m) are more than sufficient to insulate the Council's Revenue Budget and Council Taxpayers from any significant dips in rental income.

As the country progresses through the Government's Route map out of the Pandemic the Council has put in place a recovery plan. The plan includes community, recovery, economic recovery and how the Council itself will recover.

Capital Strategy and assets

In February 2022, 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 at least fifty percent affordable rental homes on all its own developments which will then be managed by its housing delivery company Knowle Green Estates Ltd.

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. During 2020/21 despite the impact of COVID-19 the Council completed 25 affordable flats on the converted West Wing at its offices site, with all the flats occupied by January 2021. Phase 1 of Benwell House was completed with the overall project coming in £2.7m under budget and delivering an additional 16 units on the original plan. In May 2021 tenants moved in. Phase 2 is currently underway. This is a mixed tenure scheme consisting of 60% affordable rental, 20% key

worker rental and 20% private rental. This is a higher number of units than originally planned for the scheme. Benwell and West Wing will be managed by Knowle Green Estates. In parallel the Council also completed, during 2021/22 the White House Single Person Homeless Hostel and Harper House emergency accommodation for families. Both these schemes are fully occupied. These schemes have been part funded by Homes England grant and will be managed directly by the Council.

The Council as at the 31 March 2022 had an investment asset portfolio valued at £916.4m (2020/21: £939.7m) and receives a commercial rental income stream as set out in the table below. In the context of the economic impact of COVID-19 it was not surprising that the valuations dropped 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 2021/22, the overall occupancy rate for the Council's commercial assets was 94.93% (2020/21: 92.4%) by floor area. The table demonstrates that after debt financing and setting aside prudent provisions for future refurbishment of the assets, the net commercial return of approximately £11.4m (2020/21: £10.2m) 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	Forecast	Actual	Forecast
	21.22	21.22	22.23
	£'000	£'000	£'000
Rental income from properties	(51,190)	(50,609)	(51,586)
Other Income		(2,740)	(4,306)
Operating Costs		2,368	8,288
Minimum Revenue Provision (MRP)	11,808	11,696	11,996
Interest on borrowing	22,866	23,032	22,535
Sinking fund contributions	6,090	6,090	6,775
Sinking fund usage	(1,826)	(1,826)	(3,767)
Set aside	630	630	630
	(11,622)	(11,359)	(9,436)

During the summer of 2022/23 officers will be undertaking a review of our sinking fund strategy for the next 5 years, as well as looking at the medium to long-term plans, to ensure that the Council employs a prudent approach of 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 £35.6m (2020/21: £33.8m) yielded an average return of 4.1% (2020/21: 3.1%). Due to the impact of COVID-19 during March 2020, the balance sheet values of these funds initially fell by £3.7m (March 2020 compared to February 2020) but have subsequently recovered by £5.6m to March 2022 i.e. returning to a cumulative capital gain (£1.9m).

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 increase for 2021/22 shown on the movement in year on Total Comprehensive Income and Expenditure of a surplus of £0.5m (2020/21: £55.0m deficit) 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.

The net transfer to cash backed usable reserves is £3.3m (2020/21: £19.9m). Total cash backed reserves as at end of the year amounted to £67.8m (2020/21: £64.5m).

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 surplus on the Total Other Comprehensive Income and Expenditure Statement of £22.8m (2020/21: £44.1m deficit) reflects a surplus on the provision of services of £0.5m (2020/21: £55.0m deficit) and a surplus of £22.4m (2020/21: £10.9m 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 £20.7m (2020/21: £43.5m) 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 £67.8m (2020/21: £64.5m). 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 £88.6m (2020/21: £108.1m) 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 £70.7m (2020/21: £22.4m) 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 2021/22 was set at £210.05 (2020/21: £205.55) per Band D property, a nil% (2020/21: 1.29%) increase on the previous year and a transfer of £0.2m (2020/21: £0.063m), into the Collection Fund following lower than expected collection rates for Council Tax during the previous year. There was a surplus of £0.6m (2020/21: deficit of £26.5m) on business rates. On council tax there was a surplus of £1.2m (2020/21: deficit of £3.1m).

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. The Group accounts shown below give the Council's stakeholders an overall picture of the extended services and economic activity that is under the control of Spelthorne Borough Council.

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 2021/22 was £6.0m (2020/21: £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 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. The following statement shows the total gross capital expenditure for the year and how it has been financed.

2020/21 £'000	Total Capital Expenditure	2021/22 £'000
28,624	Total Capital Expenditure	6,003
	Financed by:	
(858)	Capital Receipts	(727)
0	Grants and Contributions	(2,588)
(2,857)	Revenue Resources	(1,206)
(24,909)	Borrowing	(1,482)
<u>(28,624)</u>	Total Capital Financing	<u>(6,003)</u>

Future capital expenditure and resources are as follows:

Future Capital Investment Plans and Resources	Estimate	Estimate	Estimate	Estimate
	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Capital Programme	67,191	101,937	82,631	58,954
Resources				
Capital Grants/Contributions & Capital Receipts	(3,220)	(3,250)	(3,250)	(3,250)
Revenue Contributions (including Reserves)	(1,723)	(1,723)	(1,723)	(1,723)
Borrowing	(62,248)	(96,964)	(77,658)	(53,981)
	<u>(67,191)</u>	<u>(101,937)</u>	<u>(82,631)</u>	<u>(58,954)</u>

Capital receipts generate investment income for the Council. The Council strategy in the near term is to finance capital spending which generates ongoing income streams from borrowing on a prudential basis. In future years, the Council will use revenue contributions to assist in funding the Capital Programme. To strengthen these reserves 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 2022, showing a deficit of £48.4m for this Council, which represents a £11.1m decrease relative to 2020/21.

- The deficit was decreased due to several factors the main one being a decrease in the present value of the defined benefit obligations by £3.7m and a £7.4m increase in the value of the pension fund assets.
- 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 2019 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 by choice decided to bear upfront in 2020/21, rather than spread over three years, all the secondary (past service) contributions.

The liabilities of £48.4m 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 (2020/21: £5.0m) to fund its housing delivery and regeneration programme. By the end of the year, outstanding long-term debt stood at £1,077.5m (2020/21: £1,053.8m). This remaining debt is offset by the value of assets acquired. Financing charges on long-term borrowing consisted of amounted to £24.5m (2020/21: £24.7m). These were more than covered by additional income generated by related assets acquired.

Revenue Expenditure

An analysis of the Council's total gross revenue income and expenditure identifying major variances from the original budget is shown below.

Comparison of Revenue Budget to Revenue Outturn	Revenue Budget 2021/22 £'000	Revenue Outturn 2021/22 £'000	Variance Outturn to Budget £'000
Gross Expenditure	65,180	56,650	(8,530)
Gross Income	(42,394)	(37,672)	4,722
	<u>22,786</u>	<u>18,978</u>	<u>(3,808)</u>
Investment Property Income	(51,190)	(50,983)	207
Interest on balances	(1,250)	(1,741)	(491)
Transfers (from)/to Earmarked Reserves	2,971	3,659	688
Interest paid	23,278	23,788	510
Debt repayment	12,327	12,327	0
Set-aside	1,696	671	(1,025)
Capital expenditure financed from revenue	835	1,206	371
	<u>11,453</u>	<u>7,905</u>	<u>(3,548)</u>
Financed by:			
Non-ringfenced grants and contributions	(1,641)	(9,666)	(8,025)
Net receipts from Business Rates	(1,929)	9,576	11,505
Council Tax (Demand on Collection Fund & Surplus)	(7,883)	(7,815)	68
(Surplus)/deficit for the year	<u>0</u>	<u>0</u>	<u>0</u>

The Revenue Outturn figures included in the above table were approved by the Corporate Policy & Resources Committee on 11 July 2022.

The previous analysis covers revenue expenditure and income only and is not directly comparable with the Expenditure and Funding Analysis statement below which provides a more detailed breakdown at service expenditure level, for revenue and capital.

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 recent information, economic conditions and announcements from central government, and will model the future impact on the Council's finances.

The COVID-19 pandemic has for example, seen a significant net decrease in our fees and charges income, particularly with our car parks and officers will try to model scenarios of the impact of a prolonged downturn in this income stream on the delivery of services.

The unexpected rapid rise in inflation over the last couple of months, is going to cause a significant challenge for 2022/23 and the Council is already looking at how this will impact on our services over the coming four years, particularly on fuel and equipment running costs for our fleet and ground staff, electricity and gas for all our properties (including leisure centres) and of course salaries. We may also face increased challenges to maximise council tax and business rates collection rates.

To mitigate these challenges, Council will be looking to:

1. Explore the potential for savings through collaborating with other Surrey councils
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. Identification and delivery of new income sources such as commercial waste service
5. Maximising income from the assets the Council owns (the Corporate Policy and Resources Committee recently 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
6. Investing in initiatives to mitigate some of the homelessness pressures on the Council's revenue budget, including increasing supply of range of housing tenures within the Borough
7. Seeking procurement savings - with a particular focus on asset related expenditure and developing appropriate frameworks
8. Tight vacancy control whilst seeking to balance impact on service provision
9. Setting tight parameters for the Committees for the 2023-24 Budget process
10. Reviewing fees and charges, balancing impact on local residents and the local economy with the need to increase income
11. 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 ongoing COVID-19 pandemic and inflation. As at the 31 March 2022 the Council held £67.8m (2020/21: £64.5m) in cash backed reserves. In 2020/21 the Council's reserves were significantly increased by the receipt of £26.9m of COVID related grants received in March 2021, which was for distribution after the year-end to residents and businesses.

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 Passivhaus 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 2022-23 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.

2021/22 Budget

In 2021/22, the total expenditure incurred by the Council was £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 grant, contributions from non-domestic rates and charges for services.

On 25 February 2021, Council approved a net General Fund Revenue Budget for 2021/22 of £73.8k.

	£000's	£000's
Net expenditure		12,179.0
Funded by:		
Council tax	-8,000.3	
Retained Business Rates	-1929.0	
Grants	-2440.5	
Collection fund Deficit	117.0	
Total funding		-12,252.8
General fund revenue budget		73.8

Local Government Association Finance Peer Review

In November 2020, the Council invited the Local Government Association to send in (on a virtual basis) a team of experienced local government officers and a Leader of another council, to review the Council's approach to managing the financial challenges. The experience was very positive and resulted in 26 recommendations which are being addressed in an Action Plan approved by the Cabinet. The Action Plan will be maintained as a living document and will be reviewed on a regular basis by both Corporate Policy and Resources Committee and Audit Committee. The Council is inviting the LGA to undertake a full Corporate Peer Review in autumn 2022.

During the year, the Audit Committee reviewed the Council's CIPFA Financial Management Code Self Assessment.

(<https://democracy.spelthorne.gov.uk/documents/g3389/Public%20reports%20pack%20Thursday%2012-Nov-2020%2018.00%20Audit%20Committee.pdf?T=10>). The Financial Code is a new requirement taking effect in 2021/22. The Self Assessment, parallel to the Finance Action Plan will be regularly reviewed.

Summary

The next few years will continue to be extremely challenging, with a post Brexit future adding to the enormous uncertainties created by the COVID-19 Pandemic, together with the additional cost of living crisis and inflationary pressures in construction. In autumn 2021 we only had one year funding settlement for local government, although the indications are that the Fair Funding Review and business rates reset are likely to be deferred now at least until 2024-25. The Council is reviewing and revising its Outline Budget key parameters and assumptions to provide a focus for the forthcoming 2023-24 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 2022/23 and on an indicative basis for the years 2023-24 to 2025-26 and placed it in a good position to respond to the ongoing challenges of recovering from COVID-19. The Council has added significantly to its cash backed reserves which now total £67.8m (2020/21: £64.5m) particularly sinking funds which should help Spelthorne withstand the economic shocks of COVID-19. 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 funds reserves 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 2022/23.

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 2021/22, 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.
- 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 2022, dated xx xxxx 2022

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

Councillor Lawrence Nichols
Chair of Audit Committee

Annual Governance Statement 2020-2021

Introduction

As Leader and Chief Executive, we are acutely aware that everything the Council does relies upon a foundation of solid governance. With the COVID-19 pandemic continuing into a second year it meant that 2021-22 was another particularly challenging year for the Council. However, through proactive leadership and a dedicated workforce we continued to deliver services and support for our residents and businesses, as well as delivering several significant projects including a single person homeless facility, a 20-unit scheme for emergency accommodation for families, affordable rental units at the Council offices, and an incubator for small and fledgling businesses.

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 (2020/21).

In May 2021 the Council, following consultation, moved its governance system from a Cabinet/Leader model to a Committee model. Although there have been a few teething issues associated with this, these are being addressed by a Constitution Review Group, which will be making some recommendations to our Annual Council meeting in May 2022. Overall, however, we believe that the move to a Committee system has made our decision-making processes more transparent.

We have approved a new Corporate Plan, setting out the Council's priorities and values.
www.spelthorne.gov.uk/corporateplan

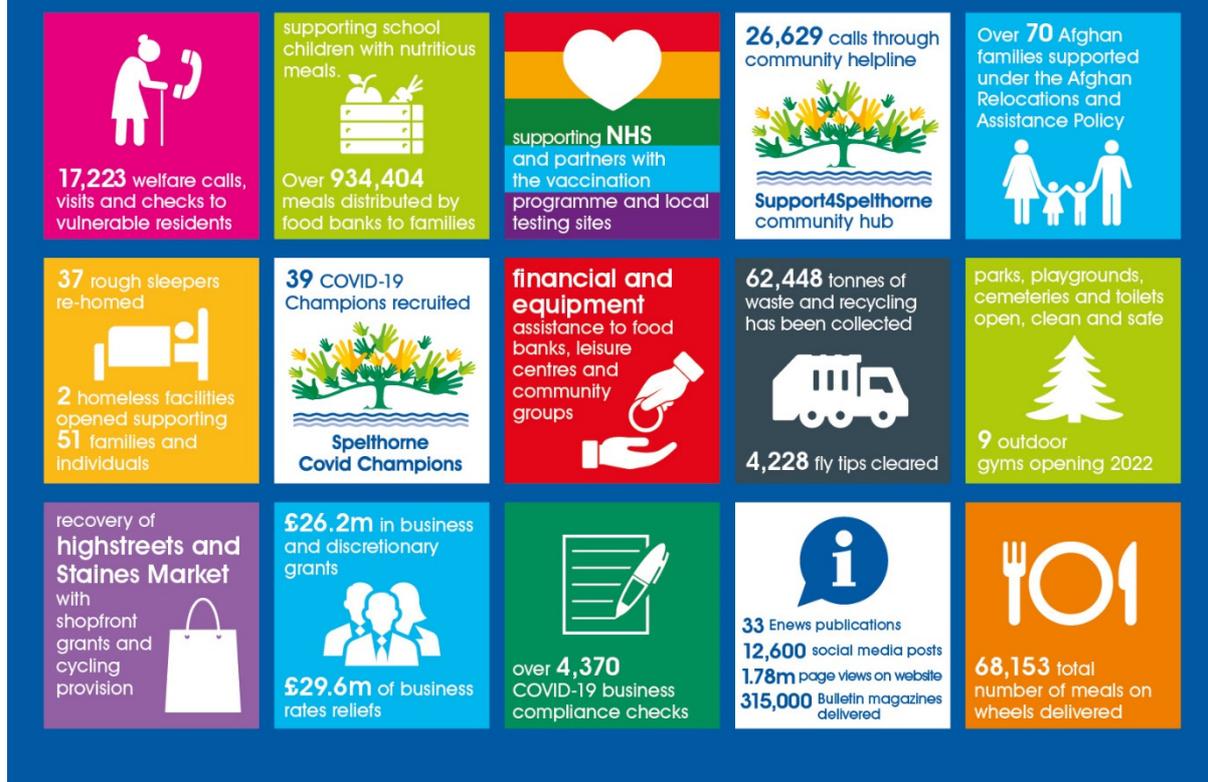
We hope that in reading this Statement, you will be encouraged to explore further the work of your Council. You can read all the documents to which we refer on our website and view Council meetings online to see how we do business. You can also discuss any of these matters with your local Councillor. www.spelthorne.gov.uk/article/16502/Your-councillors

COVID-19

The overwhelming challenge for us in the past year has been responding to the COVID-19 pandemic and managing the ongoing uncertainty; in particular, monitoring Council activity where the impact of the pandemic has been most prevalent. We continued to adapt well to the change of working environment and ensured, despite these challenges, that we continued to deliver a high level of service.

Some headlines from our COVID-19 response over the two years 2020-21 and 2021-22 are summarised below:

COVID19 - Spelthorne's response: March 2020 - March 2022



In reflecting on the above we also recognise the phenomenal contribution of nearly 1,000 volunteers supporting us during the COVID years.

The Council's vision for the Borough

The Council has during the year approved a new Corporate Plan for the period 2021-23. The Plan sets our five key priorities, under the acronym CARES:

Spelthorne Borough Council Priorities: 2021 - 2023



To put our communities at the heart of everything we do, building strong relationships with our residents and businesses, and helping to forge links within those communities, so that they feel empowered, included, supported, safe and healthy.



To deliver housing which meets the needs of all sections of our communities, building new homes, helping people to stay in their existing accommodation and ensuring that none of our residents are homeless.



To provide support and guidance to our residential and business communities to enable them to recover from the significant effects of the COVID-19 pandemic.



To work with our communities and partners to minimise our effects on the environment, play our part in tackling the threat of climate change and to maintain a clean, green and attractive Borough, which recognises and protects biodiversity.



To deliver efficient and effective services which meet the changing needs of our communities, adapting to meet new challenges, new ways of working and different ways of interacting with our communities.

CARES

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.

Spelthorne Borough Council Values: 2021 - 2023



PROVIDE

The Corporate Plan will feed into the future service plans of the different Council Services so that the organisation pulls in the same direction and delivers for our residents.

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

- **COVID-19** - Ensuring that the Council delivers an effective recovery plan to help its communities, businesses and the Council itself to 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 wider externalities, such as the macroeconomic environment (in particular inflation and the rising cost of living) and the geo-political uncertainty arising from the war in Ukraine.

- **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. (www.knowlegreenestates.co.uk). In February 2021, the Cabinet agreed the transfer (which was reviewed by the Overview and Scrutiny Committee) of Benwell House phase 1 (a mixed affordable rental, key worker and private rental scheme) and Knowle Green-West Wing (25 affordable rental units, including one fully adapted for disability living) from the Council to Knowle Green Estates. The Benwell Phase 1 scheme was completed in May 2021 and is fully occupied with 55 residential units (with 60% affordable rental, 20% keyworker rental and 20% private rental). The West Wing Scheme was completed in December 2021 and provides 25 affordable rental units
There is an annual Housing Delivery Action Plan in place which looks at measures we can undertake to improve the level of housing overall, including affordable housing.
- **Local Plan** - The publication version of the new Local Plan includes policies which look to increase the requirements from developers for affordable housing quite considerably – with 30% required on previously developed land (brownfield) and 50% on greenfield land (green belt). Over the plan period this will deliver a minimum of just over 2,000 much needed affordable homes (more will be delivered as a result of the Council's approach to delivering a minimum of 50% share on all its schemes).
- **Town Centre Regeneration** - During 2021-22, progress on some of the schemes in the Council's residential delivery pipeline was delayed due to Councillors' desire to seek to address local Staines residents' concerns about the heights of some of the developments. This has had financial impacts, as each month of delay has a cost of approximately £100,000. However, subsequently both the Oast House and Thameside House schemes have been approved by Councillors for onward progression to the planning application stage. Looking ahead, a key challenge for the housing and regeneration programme will be construction inflation.
- **Sustainability** - The Council is committed to continuing to address climate change, with work on understanding the issues through energy audits of key Council offices and fleets, and a carbon trajectory report for Spelthorne. We have purchased electric mopeds for the car parking team and installed solar panels at the Council's Nursery site. In relation to fuel poverty, we have also secured £9.2million funding from the Local Authority Delivery Scheme for a Surrey wide initiative to deliver home energy retrofits for low-income households. We have continued our fuel poverty work and undertaken 64 efficiency measures to households in need, resulting in a saving of 45.9 tonnes CO2. Planning permission was gained for a flagship ultra-low energy use (Passivhaus) leisure centre in Staines-upon-Thames. Energy efficiency measures and solar powered charging and electric points will be included in our Victory Place development in Ashford. We have worked with other authorities in Surrey to seek funding and improve best practice in developing climate change measures. The Council is proactively participating in the Development Consent Order process for the River Thames Scheme, which will mitigate the impact of flooding in the Borough. We have continued to plant trees including 41 Cherry trees. The spring Bulletin 2021, which goes to all households, focused on green issues.
- **Refugees** - During the year, the Council's Community Wellbeing and Housing Committee approved a Refugee policy and we welcomed both Afghan and subsequently Ukrainian families into the Borough. Spelthorne is providing support to Afghan families in holding accommodation and has also, so far, found 2 long term homes through private landlords for two families within the Borough. The Council is supporting the Homes for Ukraine scheme. At the time of writing, 62 individuals from Ukraine are being hosted in households across the Borough.

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 since May 2021 and there is a commitment to continue to review the system to ensure best practice and transparency for our Members and for the community.
- Amendments to the Constitution are approved through our Members sitting together in full Council. This is an ongoing process for us and will take account of implications from the new committee structure as it becomes embedded and of any relevant events and potential legislative amendments, as and when they happen.
- **Policy Framework.** We have several important policies which are approved by a majority of all councillors. These are reviewed regularly. The most important policy is the Local Plan, and this is being reviewed at the present time.
- **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.** In May 2021, the Council moved to a committee system with scrutiny built into the role of the service committees. This means the Council ceases to have a separate Overview and Scrutiny Committee. As part of the move to the new Committee system we appointed an independent lay member to the Audit Committee to bring additional experience and expertise to this aspect for the Committee.
- **Report contents.** Officers have been reviewing the standard format of our reports submitted for consideration and determination. In response to Members' legitimate observations, a new category of heading for all our reports has been added; namely of "risk". This will lead to transparency of thinking and greater clarity.
- **The role of the new Policy and Resources Sub-committee**
As a result of our strategic property investment that generates fund 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. A new 'Development Sub-Committee' of the Corporate Policy and Resources Committee was set up in early 2021-22 to deal with certain decisions relating to the investment portfolio, to enable timely decision making and to act as the programme board for the Council's residential schemes signing off gateway stages.

Knowle Green Estates Ltd (KGE).



Knowle Green Estates Ltd

KGE is registered with Companies House as a private limited company under registration number 10170860. It was incorporated in May 2016.

It has its own formal governance arrangements maintained through Companies House. The nature of its business is the managing on the long-term basis residential units (mainly affordable and keyworker) within the Borough. As KGE is the Council's 'wholly owned company', the Council ensures that its statutory governance formalities are being fully complied with. Its next statement of Accounts is due to be filed by 30th December 2022, and its next Confirmation Statement by 22nd May 2023.

Given the nature of the company and the importance of delivering 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, were appointed following a competitive recruitment process. During the year Knowle Green Estates published its first Annual Report.

The Knowle Green Estates accounts are independently audited and received a clean audit for 2020-21 (2021-22 is about to be audited), as well as being reviewed by the Council's external auditors when they audit the Council's consolidated Group Accounts. In autumn 2021, the directors attended a meeting of the Corporate Policy and Resources Committee to provide an update on progress and to respond to councillors' questions. The draft Statement of Accounts for the Company was also presented to councillors (subsequently a clean audit opinion was issued).

Spelthorne Direct Services Ltd (SDS):



SDS is registered with Companies House as a private limited company under registration number 12700913. It was incorporated in June 2020.

As with KGE, it has its own formal governance arrangements maintained through Companies House. The nature of its business is the collection, treatment and disposal of non-hazardous trade waste with combined facilities support activities.

As SDS is the Council's 'wholly owned company', the Council ensures that its statutory governance formalities are being fully complied with. Its next Statement of Accounts is due to be filed by 31st December 2022 and its next Confirmation Statement by 12th July 2022.

SDS accounts are independently audited. It received a clean audit opinion for 2020-21 (2021- 22 about to be audited).

Corporate Peer Review

During 2022-23 we are looking to invite the Local Government Association to undertake an independent Corporate Peer Review acting a 'critical friend' with experienced local government officers and an experienced Leader reviewing our governance, financial arrangements, significant risk areas, how we engage with our communities and ensure we understand and address their needs etc.

How we manage our finances

Sound finances underpin all services the Council provides. 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.

- **COVID-19.** The overwhelming challenge for us in the past year has been responding to the COVID-19 pandemic and managing the ongoing uncertainty this created. In particular, monitoring Council activity where the impact of the pandemic has been most prevalent. We continued to adapt well to the change of working environment and ensured that we maintained a high level of services.
- **Commercial Property Investments.** We have already strengthened our staff resources and implemented changes to our governance systems to ensure that we are proactively and professionally managing this £1 billion portfolio, which the Council is holding for the long term. We will continue to do this. We have been open and transparent with residents' associations about what we are doing, why we are doing this and how they are protected. We will continue this dialogue. 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 our performance in collecting commercial rent. The Council's portfolio performed very well with more than 98% of the commercial rent invoiced for 2020-21 collected and most of the balance covered by rent deferral agreements. 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 2021-22, the Sinking Funds Reserves balances had increased to £31m. 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 (in 2021-22 we collected 99.98% of the rental income invoiced for our investment assets).
- **Capital Strategy.** In February 2022, the Council approved its updated Capital Strategy which is a plain English document explaining council borrowing and spending. It sets out the current priorities, which focus on housing and homelessness, regeneration and economic development, 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. The Strategy also has a plain English Executive Summary to make it even more accessible for residents and it is backed up with technical appendices which explain the detail behind the strategy. 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.
- **Reserves Strategy.** The Council annually reviews and refreshes its Reserves Strategy to ensure it has prudent and appropriate arrangements for setting funds aside into reserves, to ensure that the Council can manage any unexpected fluctuations. During 2021-22, the Council is undertaking a review of its approach to setting aside funds into earmarked Sinking Funds for investment assets, intended to mitigate risks with holding such funds.

- **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 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 service committees and 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. In February 2022, we indicatively balanced the Budget for the next four financial years. However, we know the increasing inflationary pressures we are facing means that there will need to be more work to be done in the 2023-24 Budget process to generate additional budget headroom. The Chief Finance Officer 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.
- **Treasury Management and Prudential Investment.** The Council complies with the revised CIPFA Treasury Management and Prudential Codes and is not planning to purchase any further assets to generate a revenue yield funded from borrowing. The Council also complies with the updated terms of the Public Loans Board.

How we ensure we are listening to you

- **Consultation with residents.** 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 14 issues with residents, ranging from leisure requirements in the Borough, public space protection orders, housing policies and COVID-19 funding for businesses. Many policy changes require formal consultation with residents and in other cases we consult informally to understand residents' priorities and service requirements. 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. A four-week consultation at the end of 2020 sought the public's views on the Council's proposed change of governance model, and the responses received helped inform the Committee system which was implemented in May 2021. You can read more about our consultation policies and results at www.spelthorne.gov.uk/consultations
- Given the additional challenges arising as a result of COVID-19 in balancing future years' budgets the Council undertook, as part of the 2022-23 Budget process, a budget consultation exercise with residents in the autumn of 2021. This will be used to feed into the Budget setting process for 2022-23 and 2023-24. We have also recently utilised this process and strategy to target businesses in the Borough to identify how best to use the Government's 'Welcome Back Fund' and additional business grants, which support the reopening of high streets, hospitality and leisure and for the recovery of our Town centres.
- **Channels of communication.** The Council has several 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 Growing our social media audience has been a priority for the team and since April 2020 our followers reach has increased by 43% 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 user's need and personal requirements. Earlier this year, we purchased new software for the website which

monitors accessibility and this is tracked weekly. Using a range of different communication channels was key during the pandemic, particularly when looking to reach our most vulnerable residents. Through our COVID-19 Champions scheme, which was established as the first of its kind in Surrey, weekly webinars were broadcast to ensure factual information and advice was communicated and delivered to the community and those groups harder to reach. Since January 2022, this scheme now operates as Community Champions with a focus on vaccination uptake with our dedicated COVID-19 outreach worker. Last year the Council invested in digital screens which regularly communicate events and messages to residents when visiting The Elmsleigh shopping centre and the high street in Staines-Upon-Thames. We continue to live-stream Council and Committee meetings on our own YouTube channel – Spelthorne TV www.youtube.com/user/Spelthornecouncil/videos. This has opened the doors to democracy for many residents and on occasion, meetings received over 800 views. 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.

Internally, officers support the democratic system with a multitude of dedicated communication channels including weekly briefings and a monthly newsletter for councillors. Councillors regularly meet with representatives of the Residents’ Associations. Equally, the Chief Executive has attended individual meetings of Residents’ Associations. During 2021-22, the Council’s Customer Charter was reviewed and has now been approved by the Neighbourhood Services Committee. A set of Key Performance Indicators across all services have been published and will be regularly reported on to committees.

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 and the Spelthorne Joint Committee (which covers issues relevant to both Spelthorne and Surrey County 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 has a dedicated Standards Committee with 9 Councillors and 2 independent members. The Committee itself is politically balanced and is guided by the Independent Chair and Vice-Chair. A separate group of appointed Independent Persons is in place to support and provide a professional credible review of any Member complaints, and in some cases assist with the investigation of such complaints.

In May 2021, the Council adopted the Local Government Association Model Code of Conduct in its entirety. All Members have been trained as to its contents. The Code of Conduct fits with the principles of good governance endorsed by the national Committee on Standards in Public Life.

In March 2022, a revised procedure for handling Member complaints was adopted. Then In April 2022, the creation of a Monitoring Officer single email inbox was created to capture all external complaints received that are intended for the Monitoring Officer's attention. The new inbox is being monitored with clear records maintained and is fully accessible for all audit purposes.

The Monitoring Office is organising and preparing a package of training for all Members to be provided to support and assist with Member development. This will be in place well in advance of, and in readiness for, the new political administration due in May 2023.

There is a planned first training session to be provided by the Monitoring Officer to Members before September 2022 on the topic of recommended good practices for Members in the use of social media.

The use of Independent Persons to assist and support with consideration of Member Complaints is now an embedded procedure used and very much welcomed by the Monitoring Office.

The Monitoring Office updates and maintains a number of statutory policies. Most recently, the Council's Administrative Committee recommended the adoption of the Council's revised Anti-Money Laundering Policy, which was subsequently approved by Members at full Council on 4th May 2022. Additionally, the Council has in place, a Policy on Gifts, Hospitality and Sponsorship which applies to both staff and councillors (<http://www.spelthorne.gov.uk/article/18641/Gifts-and-hospitality-policy>) . The policy was reviewed in 2019. In addition, there are policies expressly addressing Counter Fraud, Bribery and Corruption and Whistleblowing.

The Register of Members' Interests is maintained by the Council's Governance team and reviewed by the Monitoring Officer.

The Council's Standards Panel is tasked to determine Member Complaints supported by the Monitoring Officer. A report is then presented by the Monitoring Officer to the full Standards Committee with observations and lessons to be learnt for good practice for going forward.

How we learn and improve

The Financial Peer review (<https://www.spelthorne.gov.uk/peerreview>), which we would encourage you to read, illustrates the positive work of the Council. There are recommendations within the report which we are actively taking forward.

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 making improvements to make it easier for people to pay the Council on-line. 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 and processes. 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 last external review being undertaken in 2018.

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 twelve assurance reviews relating to the 2021/22 audit plan, of which eight were assessed as requiring 'some improvement' and one was identified as 'major improvement needed'. Three out of the twelve assurance assignments are currently being finalised for assurance ratings and will be reported in the annual audit report for 2021/22 presented to Audit Committee in July 2022. Any key matters arising have been identified and considered for the 2021/22 annual audit opinion. Other relevant sources of assurance such as audit advisory work, the Council's Corporate Risk Register and COVID-19 Risk Assessment have been reviewed for the purpose of producing the overall audit opinion. Audit recommendations carry a priority rating (low/medium/high) and these will be followed up to confirm implementation status.

Annual Internal Audit Opinion 2021/22

Important considerations in undertaking assurance workstreams and producing the annual audit opinion are set out at points 1 & 2 below:

(1) The challenges around recovery from the global pandemic throughout 2021/22, and the wide-reaching risk implications for Spelthorne Borough Council.

(2) The significant impact of wider externalities and other local issues in exacerbating some of the Council's strategic risks, effecting timely achievement of corporate priorities and objectives.

Several factors during 2021/22 have had an adverse impact on the achievement of Council priorities and objectives, and whilst these may not all be attributable to weaknesses in systems of internal control, this is a matter of significance for the Council (as highlighted at point 2 above).

The opinion of the Internal Audit Manager on the overall adequacy and effectiveness of the Council's framework of governance, risk management and internal control is that on balance **reasonable assurance** can be provided across these areas, based on our 2021/22 work. The Council has many established internal systems of control that are sufficiently designed to effectively manage risks. However, it is recognised that improvements were recommended to address *the operation of the control environment* based on control weaknesses identified across several areas including some issues and areas of non-compliance, representing medium to high priority risks. Furthermore, scope for enhancements to internal controls have been raised or recommended in some areas.

Internal Audit have consulted managers (corporate management team, Group Heads and managers) to agree and monitor the implementation of recommendations or discuss improvement actions to address risks and enhance the robustness of the authority's control environment and governance arrangements. Where actions have been taken to address issues arising from audit work performed, this is acknowledged.

Punita Talwar
Internal Audit Manager, Spelthorne Borough Council
Chartered Internal Auditor (CMIIA), BA (Hons)

May 2022

The internal audit team has carried out several audits in accordance with the agreed annual plan. Full details of these findings and the management response to them, as well as any key themes and issues arising from Internal Audits work for 2021/22 are to be found on the Audit Committee pages on our website.

As the pandemic continued into 2021-22, internal audit resource has been partially focussed around COVID-19 response and recovery reviews, 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 and Audit 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 address risks. The register continues to focus on a smaller number of corporate risks relating directly to effective delivery of the Corporate Plan, Priorities and Objectives. It also aligns to methodology set out in the revised and fully refreshed Corporate Risk Management Policy. The subsidiary companies are also producing 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, a summarised policy guide has also been launched to assist staff in managing risk. A training and awareness raising session on risk management was delivered to managers during September 2021. 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 will be established and pursued during 2022/23. 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

Despite responding to all of KPMG's questions and providing all the information requested they have still not delivered a Value for Money opinion on the 2017/18 accounts and this matter is now considerably overdue. Throughout 2021-22, there has been a councillor working group (consisting of Leader of the Council, Chair and Vice Chair of Audit Committee and Chair of Administrative Committee) liaising with KPMG and seeking to bring the report to resolution. We anticipate that matters will be resolved in 2022-23.

Audit Committee

Terms of reference are set out in the Constitution. There are regular meetings and a work plan is published. Under the new Constitution there will continue to be an Audit Committee which has now been expanded to include an independent lay member (they attend their first meeting in March 2022).

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 several procedures in place:

- Our Complaints procedure is working well after a review in recent years. 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 monitoring internal compliance, informing and advising on data protection obligations, providing advice regarding Data Protection Impact Assessments (DPIAs) and acting as a contact point for data subjects and the Information Commissioner's Office (ICO). As the data controller, the Council is responsible for complying with all

data protection principles and is also responsible for demonstrating compliance. All staff who process personal data are responsible for ensuring that personal information is processed in line with the legislation.

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 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

Review of significant governance issues:

Action taken in the year to address governance issues raised in the previous AGS relating to 2020-21

Significant issues for the year 2021/22 and an action plan to address them:

- **COVID-19 implications.** The Council's pandemic recovery plan provides a mechanism for periodically monitoring progress on recovery actions relating to a range of Council workstreams. Progress against recovery actions is periodically reviewed and reported to Audit Committee.
- Periodical risk analysis and reporting has continued during 2021/22 to coincide with the evolving nature of the pandemic, focussing on five risk areas where the impact of the pandemic has been most prevalent. The risk assessment includes actions underway to manage and mitigate identified risks. Action: Future reporting from 2022/23 will specifically focus on the impact of externalities such as the macroeconomic environment (e.g. inflationary pressures) and geopolitical uncertainty (Ukraine crisis) on the Council's operations and the communities it serves.
- **Property portfolio:** The Council will continue to actively manage its property portfolio. A new Asset Management Plan has been adopted setting out how this will be done. Councillors sitting on the Development Sub Committee of the Corporate Policy and Resources Committee will ensure active councillor oversight. Business Plans for all the investment assets are being produced and reviewed by the Sub-Committee. In the summer of 2022, a review of the Council's approach to its sinking funds reserves will be undertaken.
- **Implementing the new Constitution:** The implementation of the new Constitution will be kept under review. This will be overseen by the Monitoring Officer and the Standards Committee. A review of the new Constitution was undertaken by a councillors task group and a report produced, which made recommendations for minor adjustments to Council in April 2022. These were accepted.
- **Role of KGE in delivering housing:** The delivery of housing in the Borough will be kept under constant review, and oversight of the development of the properties before they are transferred to KGE will sit with the Development Sub Committee of the Corporate Policy and

Resources Committee. KGE directors attended the Corporate Policy and Resources Committee in November 2021 to report on progress and discuss its Annual Report.

- **Role of SDS:** The work of this company will be overseen by the Neighbourhood Services Committee.
- **Issue - Housing – Development & targets & affordable.** Corporate Policy and Resources Committee agreed in January 2022 that the Staines Moratorium was no longer in effect. The one-year delay has cost the Council £105,000 per month, equating to £1.26m over the period the Moratorium has been in place. Continued delays to property schemes equate to significant cost rises for the Council and have increased the overall costs of the housing delivery programme. This has an adverse impact on the revenue budget, threatening the Council's financial position. The inflationary pressures and rising interest rates will add further to the overall financial impact.

Action: Definitive financial costs of delays to property schemes including ongoing monthly revenue and capital costs continue to be measured and reported.

Issue - As well as the significant financial implications to the Council arising from delayed property schemes, this inevitably affects the achievement of development targets, the housing delivery programme and provision of housing (affordable and other) across the borough.

Action: Proposed purchase and management of ready-made properties through Knowle Green Estates (KGE) to progress housing need, approved by Policy and Resources Committee and included in the Capital Programme

Issue: Economy. The macroeconomic environment including inflationary pressures continues to have an impact on Council operations, consumer activity, revenue streams and finances as it recovers from the pandemic. The significant rise in living costs including the energy and fuel crisis, as well as further implications arising from the geopolitical situation and Ukraine crisis, present wider consequences for the communities that the Council serves.

Action: The Economic Strategy and action plan to cover the next five years (2022 -2027) is under review and scheduled for completion by June 2022. Actions on the pandemic recovery plan (Economic section) are already periodically monitored.

Issue: Overstretched Corporate Capacity/Resources/Recruitment and Retention. An ongoing risk/issue prevails around corporate capacity remaining severely stretched, with additional significant work pressures being reported. Added to this, the implementation of a new Committee system from May 2021 presents a governance structure with greater demands on resource and time. The failure to effectively recruit to technical roles is also proving challenging with implications for gaps in skills/expertise/knowledge and service quality delivery, as well as additional consultancy costs. All these factors have further exacerbated the apparent pressures being felt across the Council. There are several consequences associated with overstretched corporate capacity, including workforce fatigue and stress, negative impact on physical and mental wellbeing, increased sickness absence and turnover, loss of key personnel, and losing sight of priority focus areas impacting service delivery.

Action: It is already acknowledged that if the Council as a whole become more effective at prioritisation, this is one of many factors that could contribute to mitigating the overstretched corporate capacity risk.

Action: Given that talented staff represent the greatest asset for any organisation, continuing to explore new and innovative recruitment and retention strategies in a competitive market is critical.

Action: Collaborative working and partnerships are being explored with a view to enhancing organisational and service resilience and promoting career opportunities, contributing to staff retention measures. A councillor/officer Working Group is in place.

- **Issue: The implementation of a Committee system of governance** has highlighted issues around the efficiency (timeliness) and effectiveness of decision making, with far reaching implications on delivery of corporate priorities. Under this governance model, the scrutiny of decisions falls under the responsibility of the Service Committee, rather than under the remit of a separate Overview and Scrutiny Committee. The new Committee system does not appear to have embedded increased overview and scrutiny, possibly due to a lack of understanding about how matters should be scrutinised at Committees.

Action : Implementation of Internal Audit recommendations from review of the Committee system

Action: Committee System Working Group continuing to champion and address necessary actions

- **Issue:** The revised Corporate Plan incorporates a set of organisational values, representing progress in helping to define the way in which the Council wishes to operate and what it stands for. However, as required behaviours are still being developed, there is further action required to establish a clearly defined set of values and behaviours.

Action: The Council should establish an action plan to outline its overall approach, timeframes and desired outcomes for embedding values and behaviours into the organisation's working culture. This should include consideration of the extent to which values and behaviours should be incorporated into key policies and practices.

General Action: Increased visibility and ownership of the Councils' most significant strategic risks and issues is recommended across the Council due to the significant and wide-reaching implications. This will support improved coordination in addressing risks and implementing mitigating actions.

Action: It is envisaged that the planned LGA Corporate Peer review for Autumn 2022 could provide greater direction and insight in supporting the Council to address some of the significant risks and issues highlighted above.

Conclusion

As we deal with the challenges of the next few years in the light of the impact of COVID-19 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.

.....
Cllr John Boughtflower
Leader of the Council

.....
Daniel Charles Mouawad
Chief Executive

Comprehensive Income and Expenditure Statement Income and Expenditure Statement

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.

2020/21			CI&ES	2021/22		
Expenditure	Income	Total		Expenditure	Income	Total
£'000	£'000	£'000	Notes	£'000	£'000	£'000
34,185	(27,874)	6,311	Community Wellbeing & Housing	32,673	(26,242)	6,431
26,390	(4,088)	22,302	Corporate Policy and Resources	8,846	(2,816)	6,030
387	(402)	(15)	Economic Development	534	(789)	(255)
6,151	(2,570)	3,581	Environment & Sustainability	6,713	(1,749)	4,964
6,128	(2,099)	4,029	Neighbourhood Services	6,433	(2,130)	4,303
5,341	(4,080)	1,261	Regulatory Administrative Comm	4,775	(563)	4,212
78,582	(41,113)	37,469	Cost of Services	59,974	(34,289)	25,685
9,893	(429)	9,464	Other Operating Income & Expenditure	26,881	(28,012)	(1,131)
81,777	(54,429)	27,348	Financing & Investment Income & Expenditure	51,421	(55,091)	(3,670)
16,047	(22,944)	(6,897)	Taxation & Non-specific Grant Income	26,930	(48,298)	(21,368)
	(12,360)	(12,360)	COVID-19 grants and expenditure	0	0	0
186,299	(131,275)	55,024	(Surplus)/Deficit on the Provision of Services	165,206	(165,690)	(484)
		(14,211)	(Surplus)/Deficit on revaluation of Property, Plant & Equipment			(4,978)
			Impairment Losses on non-current assets charged to the Revaluation Reserve			2
		(5,625)	(Surplus)/Deficit from investments in equity instruments designated at fair value through other comprehensive income			(1,705)
		8,961	Remeasurement of the the defined net defined benefit liability/(asset)			(15,671)
		(10,875)	Other Comprehensive Income & Expenditure			(22,352)
		44,149	Total Comprehensive Income & Expenditure			(22,836)

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 20/21 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
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

Movement in Reserves Statement	General Reserves	Capital Receipts Reserves	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Reserves
2020/21	£'000	£'000	£'000	£'000	£'000	£'000
Balance brought forward 1st April	(44,227)	0	(454)	(44,681)	44,086	(595)
Movements in-year						
Total Comprehensive Income & Expenditure	55,024			55,024	(10,875)	44,149
Adjustments between accounting & funding basis under regulations (note 7)	(72,514)	0	(2,368)	(74,882)	74,882	0
(Increase)/Decrease in-year	(17,490)	0	(2,368)	(19,858)	64,007	44,149
Balance carried forward 31st March	(61,717)	0	(2,822)	(64,539)	108,093	43,554

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 21	Balance Sheet	<i>Notes</i>	31 Mar 22
<i>£'000</i>			<i>£'000</i>
149,011	Property, Plant & Equipment	11	129,711
222	Heritage Assets	12	215
939,747	Investment Property	13	916,375
253	Intangible Assets	14	337
34,192	Long-term Investments		35,870
4,668	Long-term Receivables		31,486
1,128,093	Long-term Assets		1,113,994
54,451	Short-term Investments		40,477
0	Assets held for Sale		0
33	Inventories		25
16,027	Short-term Receivables	16	21,258
11,584	Cash & Cash Equivalents	17	52,953
82,095	Current Assets		114,713
(77,735)	Short-term Borrowing		(44,678)
(59,005)	Short-term Payables	19	(77,490)
(3,684)	Short-term Provisions	20	(1,353)
(140,424)	Current Liabilities		(123,521)
(1,053,820)	Long-term Borrowing		(1,077,472)
(59,497)	Other Long-term Liabilities		(48,432)
0	Long-term Grants received-in-advance - Capital		
(1,113,317)	Long-term Liabilities		(1,125,904)
(43,554)	Net Assets/(Net Liabilities)		(20,718)
(64,538)	Usable Reserves	MIRS	(67,839)
108,092	Unusable Reserves	21	88,557
43,554	Total Reserves		20,718

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.

2020/21 £'000	Cash Flow	<i>Notes</i>	2021/22 £'000
55,024	Net (Surplus)/Deficit on the Provision of Services	CI&ES	(484)
(81,210)	Adjustments to net (surplus)/deficit on the Provision of Services for non-cash movements	22	(73,140)
3,800	Adjustments to net (surplus)/deficit on the Provision of Services that are Investing and Financing Activities	22	2,884
(22,386)	Net Cash Flow from Operating Activities		(70,740)
46,282	Investing Activities	23	5,020
(18,872)	Financing Activities	24	22,571
5,024	Net (increase)/decrease in Cash & Cash Equivalents		(43,149)
16,608	Cash & Cash Equivalents at the beginning of the reporting period		11,584
(5,024)			43,149
11,584	Cash & Cash Equivalents at the end of the reporting period	17	52,953

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 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 beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

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 has introduced another layer of complexity, requiring that all Councils assess each grant paid to them by 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 2021/22 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 as a result 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 accruals 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).

Depreciation 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.

2020/21				2021/22		
Net Expenditure chargeable to the General Fund	Adjustments between the Funding and Analysis Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure chargeable to the General Fund	Adjustments between the Funding and Analysis Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£'000	£'000	£'000		£'000	£'000	£'000
4,070	2,241	6,311	Community Wellbeing & Housing	3,207	3,224	6,431
6,659	15,644	22,303	Corporate Policy and Resources	5,795	235	6,030
(24)	9	(15)	Economic Development	(311)	56	(255)
3,451	130	3,581	Environment & Sustainability	3,854	1,110	4,964
3,769	260	4,029	Neighbourhood Services	3,025	1,278	4,303
1,008	252	1,260	Regulatory Administrative Comm	3,408	804	4,212
18,933	18,536	37,469	Cost of Services	18,978	6,707	25,685
(48,369)	65,924	17,555	Other compatible income/expenditure	(36,170)	10,001	(26,169)
(29,436)	84,460	55,024	Net position	(17,192)	16,708	(484)
(1,000)			Opening balance for General Fund	(1,352)		
(29,436)			Net position above	(17,192)		
11,903			Minimum Revenue Provision	12,327		
2,857			Contribution to capital spending	1,206		
14,324			Transfer to Reserves	3,009		
(1,352)			Closing balance for General Fund	(2,002)		

Adjustments between Funding and Accounting Basis 2021/22

Adjustments from General Reserves to arrive at the Comprehensive Income and Expenditure Statement amounts	2021/22			Total
	Adjustments for Capital Purposes (Note i)	Net change for Pensions Adjustments (Note ii)	Accumulated Absences (Note iii)	
	£'000	£'000	£'000	
Community Wellbeing & Housing	2,473	751	0	3,224
Corporate Policy and Resources	(432)	667	0	235
Economic Development	13	42	0	55
Environment & Sustainability	402	708	0	1,110
Neighbourhood Services	551	728	0	1,279
Regulatory Administrative Comm	316	488	0	804
Cost of Services	3,323	3,384	0	6,707
Other income and expenditure	0	0	10,001	10,001
	3,323	3,384	10,001	16,708

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 NNDR, employee benefits and investment property income.

Adjustments between Funding and Accounting Basis 2020/21

Adjustments from General Reserves to arrive at the Comprehensive Income and Expenditure Statement amounts	2020/21			Total
	Adjustments for Capital Purposes (Note i)	Net change for Pensions Adjustments (Note ii)	Accumulated Absences (Note iii)	
	£'000	£'000	£'000	
Community Wellbeing & Housing	2,273	(40)	6	2,239
Corporate Policy and Resources	15,671	(32)	5	15,644
Economic Development	10	(2)	0	8
Environment & Sustainability	163	(37)	5	131
Neighbourhood Services	295	(40)	6	261
Regulatory Administrative Comm	273	(24)	3	252
Cost of Services	18,685	(175)	25	18,535
Other income and expenditure	1	0	65,924	65,925
	18,686	(175)	65,949	84,460

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

	2020/21	2021/22
	£'000	£'000
Expenditure		
Employees benefits expenses	20,481	20,458
Premises	7,502	6,504
Transport	1,413	1,590
Supplies & Services	8,503	7,085
Support Services	(2,036)	(713)
Third Parties	1,868	2,168
Transfer Payments	39,698	38,096
Capital Charges excluding interest paid	83,185	54,962
Interest Paid	25,683	25,009
Total Expenditure	186,297	155,159
Income		
Sales	(656)	(28,327)
Charges use of facilities	(1,690)	(2,460)
Service Charges	50,035	1,359
Rents	(107,920)	(55,682)
Interest	(1,852)	(1,742)
Govn grants	(41,868)	(34,764)
Other grants, reimburse & con	(5,459)	(7,098)
Income Other Reimbursement	(2,843)	(105)
Council Tax & Business Rates income	(19,020)	(26,824)
Total Income	(131,273)	(155,643)
(Surplus) or Deficit on the Provision of Services	55,024	(484)

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 2021/22 Code of Practice of Local Authority Accounting in the United Kingdom:

The standards introduced include:

- IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
- IAS 37 (Onerous contracts) – clarifies the intention of the standard
- IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.
- IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for local government to either 1 April 2023 or 1 April 2024. The Council current plan is to implement IFRS from 1 April 2023.

These will be incorporated into the Statement of Accounts for 2022/23. At this stage, it is not anticipated that there will be any material effect on the Council's finances or the 2021/22 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. 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. 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.
- 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 99.92% collection rate for rental invoiced in 2021/22, 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 47 assets with an average asset value of £373,743. Having considered these assets, the Council believes that its current valuation programme is not in need of change.
- As a result of the COVID-19 pandemic and in line with directives from central government the Council has held back on its follow up action in respect of its outstanding debts. Therefore, due to the uncertainty about collecting any outstanding monies from taxpayers, we have been prudent when setting our rates for bad debt provisions, which are reflected in these financial statements.

4. Prior Period Adjustments

There is one prior period adjustment accounted for in 2021/22 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 2022 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 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. The Council will receive the latest triennial valuation after the publishing deadline for these draft accounts on 31 July 2022.	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 liability of £26.5m (2020/21: £27.6m). However, the assumptions interact in complex ways. A 1-year increase in member life expectancy would increase the liability by £6.1m (2020/21: £6.2m). Similarly, a 1.0% increase in the salary rate or in the pension increase rate would increase the liability by £2.0m (2020/21: £2.1m) and £24.3m (2020/21: £23.0m) respectively.

<p>Business Rates.</p>	<p>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 2021 and the historical success rate of all appeals since 2010 and the percentage built into the multiplier by DLUHC for the 2017 list.</p>	<p>A provision of £1.0m (2020/21: £3.3m) has been included in the accounts to reflect the Council's 40% (2020/21: 40%) share of the estimated impact of business rate payers successfully appealing the rateable value assigned to their properties.</p>
<p>Investment Properties</p>	<p>The effect of Covid-19 on investment property values as at 31 March 2022, 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.</p> <p>Our investment property valuers Carter Jonas have not advised us of any material valuation uncertainties this year.</p>	<p>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 £9.2m (2020/21: £9.4m).</p>
<p>Property Plant & Equipment</p>	<p>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 current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.</p> <p>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.</p> <p>Our operational property valuers Wilks Head & Eves have not</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £195,000 for every year that useful lives had to be reduced.</p> <p>Of the total value of the Council's Operational Land & Buildings, £14.5m (2020/21: £47.6m) was revalued at 31 March 2022.</p> <p>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</p>

	advised us of any material valuation uncertainties this year.	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 2022, the Council had a balance of Short-Term Receivables of £26.9m (2020/21: £19.8m) and has made a provision of £5.7m (2020/21: £3.7m) 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 £20.8m (2020/21: £23.2m). However, this expenditure is largely recovered by the receipt of subsidy from central Government, £20.8m (2020/21: £23.2m), so the net cost to the Council is minimal. In addition, a net £53.3m (2020/21: £52.5m) 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 2021/22 and the prior year 2020/21.

Adjustments between Accounting and Funding Basis under Regulations	General Reserves	Capital Receipts Reserves	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves
2021/22	£'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	(4,607)			(4,607)	4,607
Council tax	449			449	(449)
Business rates	11,253			11,253	(11,253)
Holiday pay	2			2	(2)
Reversal of entries included in the (Surplus)/Deficit on the Provision of Services in relation to Capital Expenditure	(52,595)			(52,595)	52,595
Revenue Expenditure funded from Capital under Statute	(983)		0	(983)	983
Capital Grants and Contributions Unapplied credited to the Comprehensive Income and Expenditure Statement	1,762		(1,762)	0	0
Capital Grants and Contributions received and applied for capital financing				0	0
Total Adjustments to Revenue Resources	(17,526)		(1,762)	(19,288)	19,288
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	819	(1,194)		(375)	375
Statutory provision for the repayment of debt	12,327			12,327	(12,327)
Capital expenditure financed from revenue balances	1,206			1,206	(1,206)
Total Adjustments between Revenue and Capital Resources	14,352	(1,194)	0	13,158	(13,158)
Adjustments to Capital Resources					
Use of the Capital Receipts Reserve to finance Capital Expenditure		727		727	(727)
Application of Capital Grants to finance Capital Expenditure			2,588	2,588	(2,588)
Cash payments in relation to Deferred Capital Receipts				0	
Total Adjustments to Capital Resources	0	727	2,588	3,315	(3,315)
Total Adjustments	(3,174)	(467)	826	(2,815)	2,815

Adjustments between Accounting and Funding Basis under Regulations 2020/21	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 from Capital under 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
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 Adjustments 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 2021/22.

Earmarked Reserves	31 Mar 21	Transfers to Reserves	Used in revenue funding	31 Mar 22
	£'000	£'000	£'000	£'000
Revenue Grants unapplied	(2,636)	(1,089)	36	(3,689)
Capital Fund	(1,443)	0	0	(1,443)
Insurance Fund	(50)	0	0	(50)
Planned Spending Funds	(21,364)	(694)	7,181	(14,877)
COVID Funds		0		0
Funds for acquired properties	(25,873)	(10,375)	2,625	(33,623)
Youth Fund	(20)	0	0	(20)
Local Environmental Assessment Fund	(249)	0	86	(163)
Contributions from Developers	(8,729)	(1,396)	618	(9,507)
Earmarked Reserves 31st March	(60,364)	(13,554)	10,546	(63,372)
General Fund Balance	(1,352)	(650)	0	(2,002)
Balance carried forward 31st March	(61,716)	(14,204)	10,546	(65,374)

9. Financing and Investment Income and Expenditure

2020/21		Financing and Investment Income and Expenditure		2021/22		
Expenditure £'000	Income £'000	Total £'000	Notes	Expenditure £'000	Income £'000	Total £'000
24,546	0	24,546	Interest payable and similar charges	23,788	0	23,788
1,137	0	1,137	Net interest on the net defined benefit liability (asset)	1,222	0	1,222
0	(1,853)	(1,853)	Interest receivable and similar income	0	(1,742)	(1,742)
56,094	(52,576)	3,518	Income and expenditure in relation to investment property	26,411	(53,349)	(26,938)
81,777	(54,429)	27,348	Financing and Investment Income and Expenditure	51,421	(55,091)	(3,670)

10. Taxation and Non-Specific Grant Income

2020/21		Taxation and Non-Specific Grant Income		2021/22		
Expenditure £'000	Income £'000	Total £'000	Notes	Expenditure £'000	Income £'000	Total £'000
	(7,285)	(7,285)	Council Tax Income	185	(8,449)	(8,264)
16,047	(11,018)	5,029	Non-domestic Rates Income and Expenditure	26,745	(28,421)	(1,676)
	(1,270)	(1,270)	Non-ringfenced government grants	0	(9,666)	(9,666)
	(3,371)	(3,371)	Capital Grants and Contributions	0	(1,762)	(1,762)
16,047	(22,944)	(6,897)	Total Taxation and Non-Specific Grant Income	26,930	(48,298)	(21,368)

11. Property, Plant and Equipment

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	76,357	3,886	163	74,193	154,599
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	<u>90,008</u>	<u>4,338</u>	<u>201</u>	<u>42,220</u>	<u>136,767</u>
Accumulated Depreciation and Impairment					
At 1st April 2021	(3,478)	(2,105)	(5)	0	(5,588)
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	<u>(4,468)</u>	<u>(2,578)</u>	<u>(10)</u>	<u>0</u>	<u>(7,056)</u>
Net Book Value					
At 31st March 2022	85,540	1,760	191	42,220	129,711
At 31st March 2021	72,879	1,781	158	74,193	149,011

Movement on Balances in 2020/21:

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 2020	86,042	3,477	146	49,203	138,868
Additions	1,178	409	18	26,086	27,691
Revaluation increases/(decreases) recognised in the Revaluation Reserve	13,446	0		0	13,446
Other movements in cost or valuation	0	0		0	0
At 31st March 2021	<u>76,355</u>	<u>3,886</u>	<u>164</u>	<u>74,193</u>	<u>154,598</u>
Accumulated Depreciation and Impairment					
At 1st April 2020	(2,572)	(1,650)	0	0	(4,222)
Depreciation charge	(3,887)	(454)	(5)	0	(4,346)
At 31st March 2021	<u>(3,478)</u>	<u>(2,104)</u>	<u>(5)</u>	<u>0</u>	<u>(5,587)</u>
Net Book Value					
At 31st March 2021	72,877	1,782	159	74,193	149,011
At 31st March 2020	83,470	1,827	146	49,203	134,646

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 are no major capital commitments outstanding as at 31 March 2022 (2020/21; £1.9m).

Effect of Changes in Estimates

In 2021/22 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 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:

2020/21 £'000	Heritage Assets	2021/22 £'000
	<i>Cost or Valuation</i>	
251	Balance at 1st April	245
0	Revaluation increases/(decreases) recognised in the Revaluation Reserve	0
<u>251</u>	Balance at 31st March	<u>245</u>
	<i>Accumulated Depreciation and Impairment</i>	
(22)	Depreciation at 1st April	(23)
(7)	Depreciation	(7)
0	Depreciation written out to the Revaluation Reserve	0
<u>(29)</u>	Balance at 31st March	<u>(30)</u>
	<i>Net Book Value</i>	
<u>222</u>	Balance at 31st March	<u>215</u>

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:

2020/21 £'000		2021/22 £'000
(52,577)	Rental income from properties	(53,349)
4,152	Net Operating income/expenses	3,039
51,942	Changes in valuations	23,372
<u>3,517</u>	Balance at 31st March	<u>(26,938)</u>

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:

2020/21 £'000	Investment Property	2021/22 £'000
991,689	Balance at 1st April	939,747
0	Additions	0
(51,942)	Net gains/losses from fair value adjustments	(23,372)
939,747	Balance at 31st March	916,375

Revaluations

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)

2020/21 £'000	Fair value measurement	2021/22 £'000
591,216	Land	575,242
348,531	Buildings	341,133
939,747	Balance at 31st March	916,375

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.

2020/21 £'000	Intangible Assets	2021/22 £'000
357	Balance at 1st April	253
74	Additions	279
<u>431</u>	Balance at 31st March	<u>532</u>
	Accumulated Amortisation	
(178)	Amortisation written out to the (Surplus)/Deficit on the Provision of Services	(195)
<u>(178)</u>	Balance at 31st March	<u>(195)</u>
	Net Book Value	
<u>253</u>	Balance at 31st March	<u>337</u>

15. Financial Instruments

Financial Instruments - Balances

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

2020/21		Financial Liabilities	2021/22	
Long-term £'000	Short-term £'000		Long-term £'000	Short-term £'000
		<i>Loans at amortised cost:</i>		
1,053,820	74,690	Principal sum borrowed	1,077,472	41,450
	3,045	Accrued Interest		3,228
1,053,820	77,735	Total borrowing *	1,077,472	44,678
		<i>Liabilities at amortised cost:</i>		
	6,231	Trade Payables **		5,206
	6,231	Total cash and cash equivalents		5,206

* 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 the Balance Sheet includes £67,049k (2020/21: £52,774k) 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:

2020/21		Financial Assets	2021/22	
Long-term £'000	Short-term £'000		Long-term £'000	Short-term £'000
		<i>At amortised cost:</i>		
432	54,041	Principal	318	40,442
-	410	Accrued Interest	-	35
		<i>At FVOCI:</i>		
33,760		Equity instruments elected FVOCI	35,552	
34,192	54,451	Total investments *	35,870	40,477
		<i>At amortised cost:</i>		
0	(3,266)	Principal	0	(257)
-	14,850	At FVPL	-	53,210
-	11,584	Total cash and cash equivalents	-	52,953
		<i>At amortised cost:</i>		
9,375	48	Loans made for service purposes	29,839	49
-	4,025	Trade receivables **	-	10,115
-	297	Accrued interest	-	271
9,375	4,370	Included in receivables	29,839	10,435

* 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 the Balance Sheet includes £9,362k (2020/21: £12,002k) that do not meet the definition of 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.

2020/21		Equity instruments elected to FVOCI	2021/22	
Fair Value £'000	Dividends £'000		Fair Value £'000	Dividends £'000
790	22	Charteris - Elite Premium Income Fund	742	43
1,936	55	Schroder UK Corporate Bond Fund	1,834	53
4,941	585	Schroder Income Maximiser Fund	5,478	352
1,934	37	M&G Global Dividend Fund	2,218	61
3,428	66	M&G Global Dividend Fund	3,929	108
1,769	23	M&G Optimal Income Fund	1,666	40
1,859	69	M&G UK Income Distribution Fund	1,949	81
2,863	82	Ninety One Diversified Income Fund	2,733	86
1,490	43	Ninety One Diversified Income Fund	1,423	45
2,047	41	Threadneedle UK Equity Income Fund	2,178	69
1,515	30	Threadneedle UK Equity Income Fund	1,612	51
1,683	36	Threadneedle Global Equity Income Fund	1,830	45
1,940	70	CCLA - LAMIT Property Fund	2,281	74
1,108	32	CCLA - LAMIT Property Fund	1,302	42
1,445	58	UBS Multi Asset Income Fund	1,370	66
3,012	118	Aegon Diversified Income Fund (formerly Kames)	3,007	153
33,760	1,367	Totals	35,552	1,369

Financial Instruments - Gains and Losses

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

2020/21 Total	Gains and Losses	Financial Liabilities at Amortised Cost £'000	Financial Assets			2021/22 Total
			Amortised Cost £'000	Fair Value through OCI* £'000	Elected to Fair Value through OCI* £'000	
24,546	Interest expense	23,788				23,788
36	Fees paid	39	0	0	0	39
24,582	Interest payable and similar charges	23,827	0	0	0	23,827
(1,852)	Interest income		(1,742)			(1,742)
(1,015)	Dividend income				(1,369)	(1,369)
(2,867)	Interest and investment income	0	(1,742)	0	(1,369)	(3,110)
21,714	Net impact on surplus/ deficit on provision of services	23,827	(1,742)	0	(1,369)	20,717
(5,624)	Gains on revaluation				(1,705)	(1,705)
(5,624)	Impact on Other Comprehensive Income	0	0	0	(1,705)	(1,705)
16,091	Net Gain/ Loss for the Year	23,827	(1,742)	0	(3,073)	19,012

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 2022, 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.

2020/21		FV - Financial Liabilities		2021/22	
Balance sheet	Fair value		Fair value	Balance sheet	Fair value
£'000	£'000		level	£'000	£'000
<i>Financial liabilities held at amortised cost:</i>					
1,046,880	1,098,246	Long-term loans from PWLB	2	1,077,472	991,560
6,940	14,931	Other long-term loans	2	-	45,469
1,053,820	1,113,177	TOTAL		1,077,472	1,037,029
117,911		Liabilities for which fair value is not disclosed*		116,933	
1,171,731		TOTAL FINANCIAL LIABILITIES		1,194,405	
<i>Recorded on balance sheet as:</i>					
1,053,820		Long-term borrowing		1,077,472	
77,735		Short-term borrowing		44,678	
59,005		Short-term payables		72,255	
1,190,560				1,194,405	

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

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.

2020/21		FV - Financial Assets		2021/22	
Balance sheet	Fair value		Fair value	Balance sheet	Fair value
£'000	£'000		level	£'000	£'000
<i>Financial assets held at fair value:</i>					
9,850		Money market funds	1	13,210	
33,760		Strategic pooled funds	1	35,552	
<i>Financial assets held at amortised cost:</i>					
4,668	5,072	Long-term loans to companies	2	29,839	29,134
48,278	48,682	TOTAL		78,601	77,896
69,815		Assets for which fair value is not disclosed*		68,566	
118,093		TOTAL FINANCIAL ASSETS		147,167	
<i>Recorded on balance sheet as:</i>					
54,451		Short-term investments		40,477	
34,191		Long-term investments		35,870	
11,584		Cash and cash equivalents		52,953	
17,867		Short-term receivables		17,867	
118,093				147,167	

* 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:

2020/21		Credit Risk	2021/22	
Long-term £'000	Short-term £'000	Credit Rating	Long-term £'000	Short-term £'000
0	10,000	A	0	4,744
0	2,000	A-	0	0
0	366	BBB+	0	361
9,375	42,047	Unrated local authorities	29,839	65,083
9,375	54,413	Total	29,839	70,188
33,760	9,850	Credit risk is not applicable	35,552	13,210
43,135	64,263	Total investments	65,391	83,398

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 2022, £3,000 (2020/21 equivalent: £8,000) 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.

2020/21 £'000	Credit for customers	2021/22 £'000
1,177	Less than three months	2,189
409	Three to six months	111
730	Six months to one year	82
1,020	More than one year	561
3,336	Total	2,943

As at 31 March 2022, £75,000 (2020/21: equivalent: £133,000) 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 99.92% collection rate for 2021-22. 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:

2020/21 £'000	Interest Rate Risk	2021/22 £'000
(13)	Decrease in Fair Value of investments held at FVPL	(9)
365	Increase in interest receivable on investments	463
(542)	Increase in interest payable on variable rate borrowings	(279)
(190)	Impact on Surplus or Deficit on the Provision of Services	175
(341)	Decrease in Fair Value of investments held at FVOCI	(354)
(531)	Impact on Comprehensive Income and Expenditure	(179)
(250)	Decrease in Fair Value of loans and investments held at amortised cost*	(1,562)
(190,957)	Decrease in Fair Value of fixed rate borrowing *	(156,451)

*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

2020/21 £'000	Short term receivables	2021/22 £'000
18,728	General receivables	25,785
1,027	Payments in advance	1,191
(3,728)	Provisions for impairment	(5,718)
<u>16,027</u>	Balance at 31st March	<u>21,258</u>

17. Cash and Cash Equivalents

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

2020/21 £'000	Cash & cash equivalents	2021/22 £'000
5	Cash held	5
(3,271)	Bank accounts	6,148
14,850	Cash Equivalents	46,800
<u>11,584</u>	Balance at 31st March	<u>52,953</u>

18. Assets Held for Sale

There are currently no properties classified as held for sale.

19. Payables

2020/21	Short term payables	2021/22
£'000		£'000
(31,864)	General payables	(51,165)
(24,513)	Receipts in advance	(23,689)
(2,628)	Deposits	(2,635)
<hr/>		<hr/>
(59,005)	Balance at 31st March	(77,490)
<hr/>		<hr/>

20. Provisions

Business Rates Appeals

Business Rate payers have the right to appeal against the rateable value that has been assigned to their premises by the Central Government Valuation Office Agency (VOA). The VOA then assesses the case and if the appeal is reasonable reviews the rateable value. This provision allows for the Council's potential liability in relation to refunds that could be made following successful appeals. The total provision raised as at 31 March 2022 is £5.0m (2020/21: £8.2m) and the Council's share of this liability is £2.0m (2020/21: £3.3m). This has been calculated based on appeals outstanding as at 31 March 2022, adjusted for historical trends and success rates.

2020/21	Short-term provisions	2021/22
£'000		£'000
(150)	Municipal Mutual Insurance	(150)
(3,269)	Business Rates Appeals	(1,000)
(265)	Expected Credit Loss	(203)
<hr/>		<hr/>
(3,684)	Balance at 31st March	(1,353)
<hr/>		<hr/>

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

2020/21 £'000	Unusable Reserves	2021/22 £'000
(24,005)	Revaluation Reserve	(27,851)
(1,547)	Financial Instruments Revaluation Reserve	(3,252)
66,226	Capital Adjustment Account	101,825
(3,725)	Deferred Capital Receipts Reserve	(30,541)
59,497	Pension Reserve	48,433
11,342	Collection Fund Adjustment Account	(359)
304	Accumulated Absences Account	302
<u>108,092</u>	Balance at 31st March	<u>88,557</u>

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.

2020/21 £'000	Revaluation Reserve	2021/22 £'000
(10,754)	Balance at 1st April	(24,005)
(13,446)	Changes in valuations	(4,698)
(765)	Depreciation written down on revaluation	(280)
960	Difference between fair value and historic cost depreciation	1,132
<u>(24,005)</u>	Balance at 31st March	<u>(27,851)</u>

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.

2020/21 £'000	Financial Instruments Revaluation Reserve	2021/22 £'000
4,077	Balance at 1st April	(1,547)
(5,624)	Revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	(1,705)
<u>(1,547)</u>	Balance at 31st March	<u>(3,252)</u>

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.

2020/21 £	Capital Adjustment Account	2021/22 £
2,858	Balance at 1st April	66,226
	<i>Reversal of items relating to capital debited or credited to the Comprehensive Income and Expenditure Statement</i>	
4,530	Charges for depreciation and amortisation of non-current assets	3,599
13,298	Changes in the valuation of Property, Plant and Equipment	(1,257)
51,942	Changes in the valuation of Investment Property	23,372
9,893	Amounts of non-current assets written off on disposal, derecognition or sale as part of the Gain or Loss on disposal	26,880
<u>79,663</u>	<i>Total of amount of items reversed</i>	<u>52,594</u>
(960)	Adjusting amounts written off to the Revaluation Reserve	(1,132)
857	Revenue Expenditure funded from Capital under Statute	983
	<i>Capital financing applied in the year</i>	
(429)	Use of Capital Receipts Reserve to finance new capital expenditure	(727)
(1,003)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(2,586)
(2,857)	Capital Expenditure charged against the General Fund Balance	(1,206)
(11,903)	Minimum Revenue Provision	(12,327)
<u>(16,192)</u>	<i>Total of amount of capital financing</i>	<u>(16,846)</u>
<u>66,226</u>	Balance at 31st March	<u>101,825</u>

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

2020/21 £'000	Deferred Capital Receipts Reserve	2021/22 £'000
(3,725)	Balance at 1st April	(3,725)
	Loans to KGE in respect of assets transferred	(26,816)
<u>(3,725)</u>	Balance at 31st March	<u>(30,541)</u>

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 come to be paid.

2020/21 £'000	Pension Reserve	2021/22 £'000
49,574	Balance at 1st April	59,497
8,961	Remeasurement of net defined benefits liabilities/(assets)	(15,671)
962	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	4,607
<u>59,497</u>	Balance at 31st March	<u>48,433</u>

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.

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 2022. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2020/21 £'000	Accumulated Absences	2021/22 £'000
279	Balance at 1st April	304
25	Adjustment in-year	(2)
<u>304</u>	Balance at 31st March	<u>302</u>

22. Statement of Cash Flows – Operating Activities

The cash flows for operating activities include the following items:

2020/21 £'000	Operating Activities - interest	2021/22 £'000
(479)	Interest received	(367)
24,809	Interest paid	24,639
(1,414)	Dividends received	(1,373)

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

2020/21 £'000	Operating Activities - non-cash movements	2021/22 £'000
(85,010)	Items relating to capital	(52,595)
3,800	Other non-cash items charged to the net (Surplus)/Deficit on the Provision of Services	(20,546)
<u>(81,210)</u>	Cash & Cash Equivalents at the end of the reporting period	<u>(74,140)</u>

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

2020/21 £'000	Operating Activities - investing or financing items	2021/22 £'000
429	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,122
3,371	Other items for which the cash effects are investing or financing cash flows)	1,762
<u>3,800</u>		<u>2,884</u>

23. Statement of Cash Flows – Investing Activities

2020/21 £'000	Investing Activities	2021/22 £'000
27,766	Purchase of property, plant and equipment, investment property and intangible assets	5,020
18,608	Purchase of short-term and long-term investments	356,121
(92)	Proceeds from short-term and long-term investments	(354,379)
	Other receipts from investing activities	(1,742)
<u>46,282</u>		<u>5,020</u>

24. Statement of Cash Flows – Financing Activities

2020/21 £'000	Financing Activities	2021/22 £'000
(118,500)	Cash receipts of short- and long-term borrowing	(102,836)
(34)	Other receipts from financing activities	26,818
99,628	Repayments of short- and long-term borrowing	98,589
<u>(18,906)</u>		<u>22,571</u>

25. Members Allowances

The Council paid £345K (2020/21:£344K) to members of the Council during the year.

26. Senior Officers' Remuneration

The Council paid to its senior officers £481,498 (including pensions contributions) during the year

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

Senior Employees			2020/21
Title	Pay, fees and allowances	Pension contributions	Total
	£	£	£
Chief Executive	142,124	21,840	163,963
Deputy Chief Executive & Chief Financial Officer	102,378	17,990	120,369
Deputy Chief Executive	95,421	17,471	112,892
Head of Corporate Governance	71,465	12,809	84,274

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:

2020/21	Remuneration banding		2021/22
<i>no</i>	£	£	<i>no</i>
1	140,000	144,499	1
0	135,000	139,999	0
0	130,000	134,999	0
0	125,000	129,999	0
0	120,000	124,999	0
0	115,000	119,999	0
0	110,000	114,999	0
0	105,000	109,999	0
1	100,000	104,999	1
1	95,000	99,999	1
0	90,000	94,999	0
0	85,000	89,999	0
0	80,000	84,999	1
5	75,000	79,999	2
2	70,000	74,999	2
1	65,000	69,999	4
3	60,000	64,999	5
7	55,000	59,999	4
5	50,000	54,999	11
<u>26</u>			<u>32</u>

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 payments)		Number of compulsory redundancies		Number of other departures agreed		Number of exit packages by cost band		Total cost of exit packages in each band	
£	£	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
		<i>no</i>	<i>no</i>	<i>no</i>	<i>no</i>	<i>no</i>	<i>no</i>	£	£
5,001	10,000	0	0	1	0	1	0	6,600	0
1	5,000	0	1	0	0	0	1	0	2,316
		<u>0</u>	<u>1</u>	<u>1</u>	<u>0</u>	<u>1</u>	<u>1</u>	<u>6,600</u>	<u>2,316</u>

There was one compulsory redundancy during the year (2020/21; nil) with the Council incurring liabilities of £2,316 (2020/21: £6,600) as set out above.

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 requested a significant amount of additional information from the Council in order to conclude their work on value for money and we are waiting for them to finalise matters. Indications are that they are moving towards resolution having recently submitted fee proposals to the Public Sector Audit Appointments (PSAA), which have been accrued for elsewhere within the financial statements.

2020/21 £'000	External Audit Costs	2021/22 £'000
37	Fees payable to BDO regarding 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
<u>44</u>	Total for the year	<u>45</u>

28. Grant Income

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2021/22:

2020/21 £'000	Grant income	2021/22 £'000
	<i>Credited to Services</i>	
(1,536)	Grants and contributions	(2,649)
(23,208)	Benefit Subsidy	(20,839)
<u>(24,744)</u>	Total Credited to Services	<u>(23,488)</u>
	<i>Taxation and Non-specific grant income</i>	
(13,631)	Non-ringfenced grants and contributions	(9,666)
<u>(15,166)</u>	Total Non-ringfenced grants and contributions	<u>(33,153)</u>
(3,371)	Capital grants and contributions	(1,762)
<u>(3,371)</u>	Total Capital grants and contributions	<u>(1,762)</u>

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 2021/22 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 2018/19, following a tender process, the Council entered into a 3-year agreement with the company for the provision of emergency planning and resilience services at a cost of £55,000 a year.

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:

- Terry Collier, Deputy Chief Executive - Director
- Cllr Satinder Buttar from January 2021

The following Councillors held office during the previous year 2020/21:

- Cllr Jim McIlroy from July 2020 to March 2021

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 2021/22 and 2020/21:

- Terry Collier, Deputy Chief Executive – Director
- Mrs J Taylor, Group Head of Neighbourhood Services – Director

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:

2020/21 £'000	Capital Expenditure and Financing	2021/22 £'000
1,116,100	Opening Capital Financing Requirement	1,128,532
	<i>Capital Investment</i>	0
27,693	Property, Plant and Equipment	4,741
0	Heritage Assets	
0	Investment Property	0
74	Intangible Assets	279
857	Revenue Expenditure funded from Capital under Statute	983
	Loans to Knowle Green Estates Limited	
<u>28,624</u>	<i>Total Capital Investment</i>	<u>6,003</u>
	<i>Sources of Finance</i>	
(429)	Capital Receipts	(727)
(1,003)	Capital Grants and Contributions	(2,588)
(2,857)	Revenue Contributions	(1,206)
(11,903)	Minimum Revenue Provision	(12,327)
<u>(16,192)</u>	<i>Total Sources of Finance</i>	<u>(16,848)</u>
<u>1,128,532</u>	Closing Capital Financing Requirement	<u>1,117,687</u>

31. Leases

Council as Lessee

Operating Leases

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

31 Mar 21 £'000	Council as Lessee	31 Mar 22 £'000
676	Not later than one year	501
816	Later than one year and not later than five years	89
<u>1,492</u>	Balance at 31st March	<u>590</u>

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 21 £'000	Council as Lessor	31 Mar 22 £'000
49,293	Not later than one year	49,307
200,289	Later than one year and not later than five years	161,544
235,124	Later than five years	232,572
<u>484,706</u>	Balance at 31st March	<u>443,423</u>

The minimum lease payments receivable do 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

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.

2020/21 £'000	IAS19 CI&ES & MiRS	2021/22 £'000
	Comprehensive Income & Expenditure Statement	
	Cost of Services:	
4,326	Current service cost	6,909
0	Past service cost	0
	Financing & Investment Income & Expenditure:	
1,137	Net interest expense	1,222
<hr/>		<hr/>
5,463	Total post-employment benefits charged to the (Surplus)/Deficit on the provision of services	8,131
	Other Comprehensive Income & Expenditure	
(20,207)	Return of plan assets	(5,488)
1,667	Actuarial gains & losses arising on changes in assumptions	(767)
28,736	Changes in demographic assumptions	(9,670)
(1,235)	Other remeasurement of defined liability	254
<hr/>		<hr/>
14,424	Total post-employment benefits charged to CI&ES	(7,540)
	Movement in Reserves Statement	
(5,463)	Reversal of new charges made to the (Surplus)/Deficit on the Provision of Services for post-employment benefits in accordance with the code	(8,131)
	Actual amount charged against the General Fund Balance for pensions in-year	
4,501	Employer's contribution to the scheme	3,524

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 21 £'000	Net liability	31 Mar 22 £'000
96,310	Fair value of plan assets	103,700
<hr/> (155,807)	Present value of the defined benefit obligation	<hr/> (152,133)
<hr/> (59,497)	Net liability arising from defined benefit obligation	<hr/> (48,433)

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

2020/21 £'000	Scheme assets	2021/22 £'000
73,513	Opening fair value of scheme assets	96,310
1,700	Interest income	1,925
	Remeasurement gain/loss:	
20,207	Return on plan assets, excluding the amount included in net interest expense	5,488
4,304	Contribution from employer	3,334
857	Contribution from employees into the scheme	920
(4,271)	Benefits paid	(4,277)
<u>96,310</u>	Closing fair value of scheme assets	<u>103,700</u>

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

2020/21 £'000	Scheme liabilities	2021/22 £'000
(123,087)	Opening value of scheme liabilities	(155,807)
(4,326)	Current service cost	(6,909)
0	Past Service cost	0
(2,837)	Interest cost	(3,147)
4,468	Benefits paid	4,277
(857)	Contributions from scheme participants	(920)
(1,667)	Actuarial gains & losses arising on changes in assumptions	190
	Liabilities assumed on entity combinations	
(28,736)	Changes in demographic/financial assumptions	10,437
1,235	Other changes in liabilities	(254)
<u>(155,807)</u>	Closing value of scheme liabilities	<u>(152,133)</u>

Local Government Pension Scheme assets comprised:

31 Mar 21 £'000	Asset category	31 Mar 22 £'000
	Equity securities	
2,086.2	Consumer	1,814.2
1,050.6	Manufacturing	1,446.5
202.8	Energy and utilities	321.6
1,255.0	Financial institutions	1,203.4
882.6	Health and care	1,238.8
2,915.3	Information technology	3,244.9
0.0	Other	0.0
	Debt securities	
	Corporate bonds (investment grade)	
	Corporate bonds (non-investment grade)	
4,463.8	Government	3,451.5
	Other	
	Private equity	
6,606.7	All	10,191.0
	Real estate	
3,491.7	UK property	4,137.6
1,701.1	Overseas property	2,210.3
	Investment Funds and Unit Trusts	
57,021.8	Equities	60,892.5
12,146.3	Bonds	11,357.9
	Other	
	Derivatives	
	Interest rate	
294.0	Foreign exchange	(419.9)
	Cash & cash equivalents	
2,192.1	All	2,609.7
96,310.0	Total assets	103,700.0

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:

2020/21	Principal assumptions	2021/22
%		%
	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	
22.3	- Men	22.1
24.7	- Women	24.5
	Longevity at 65 for future pensioners	
23.4	- Men	23.1
26.4	- Women	26.2
	Other assumptions	
2.5	Rate of inflation (Consumer Price Index)	2.5
3.8	Rate of increase in salaries	4.1
2.9	Rate of increase in pensions	3.2
2.0	Rate of discounting scheme liabilities	2.7
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.

	%	Increase in assumption £'000	Decrease in assumption £'000
Rate of increases in salaries	0.1	196	
Rate of increases in pensions	0.1	2,433	
Decrease in rate for discounting scheme liabilities	0.1		2,649

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 2019.

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 £3.3m expected contributions to the scheme in 2022/23 (2021/22: £3.1m).

The weighted average duration of the defined benefit obligation for scheme members is 19.0 years for 2021/22 (2020/21: 19.0 years).

34. Contingent Liabilities

Mortgage guarantees on shared ownership properties which will only occur if the mortgagees 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 2020/21.

The previous external auditors have provisionally highlighted proposed additional fee figures for work relating to the 2016/17 statement of accounts and on the Value for Money opinion. The Council has requested a breakdown in order to take a view as to whether there is a justification for these fees.

There may in the future be employment claims relating to employment periods prior to 31 March 2020 and similarly there may arise planning appeals. No specific provisions have been made to cover these possible eventualities, and this was the same for 2020/21.

If there is a decision not to extend the Waterfront contract, 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 2022 indicate a loss for the year of £7,517,837 (2020/21: £94k loss) after tax, this was due to one property being revalued at a significant loss to the cost the asset was transferred to KGE Ltd during the year. Rental income grew in the year due to two new properties becoming operational, £781,359 (2020/21: £168,437).

Spelthorne Direct Service Limited

FINANCIAL PERFORMANCE

Draft unaudited accounts for the year ending 31 March 2022 indicate a profit for the year of £53,000 (2020/21: £51k loss).

A ten-year loan facility of £450,000 has been made available to the company and at 31 March 2022 £103,000 had been drawn down for the purchase of refuse collection bins and similar receptacles for waste.

The company has implemented strong administrative systems and obtained a number of new clients and is now looking to expand its customer base once the lockdown restrictions have been lifted.

37. Post Balance Sheet Events

The Statement of Accounts was authorised for issue by the Director of Finance and Deputy Chief Executive on2022 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
2020/21		2021/22	2021/22	2021/22
£'000		£'000	£'000	£'000
	Income			
(79,887)	Council tax receivable		(82,626)	(82,627)
(32,710)	Business rates receivable	(40,276)		(40,277)
(103)	Transitional protection	13		12
(3)	Government grant		0	0
	Contribution received based on Deficit			
(241)	Spelthorne Borough Council	(9,434)	(185)	(9,619)
	Surrey County Council	(2,358)	(1,363)	(3,722)
	Surrey Police & Crime Commissioner		(244)	(244)
	Central Government	(11,792)		(11,793)
	Demand, precepts and shares			
27,173	Spelthorne Borough Council	17,169	8,000	25,169
65,326	Surrey County Council	4,292	60,439	64,731
10,846	Surrey Police & Crime Commissioner		11,142	11,141
23,693	Central Government	21,461		21,461
	Contribution paid based on Surplus			
694	Spelthorne Borough Council			0
452	Surrey County Council			0
81	Surrey Police & Crime Commissioner			0
1,040	Central Government			0
	Charges to the Collection Fund			
0	Write-offs	5		4
5,667	Increase/(decrease) in Bad Debt Provision	(1,830)	486	(1,344)
1,852	Increase/(decrease) in Provision for Appeals	(4,425)		(4,426)
123	Cost of Collection	122		122
24,003	(Surplus)/Deficit arising during the year	(27,054)	(4,350)	(31,412)
	Movement on the Collection Fund			
4,742	(Surplus)/Deficit brought forward	26,470	3,148	29,617
24,003	(Surplus)/Deficit arising during the year	(27,054)	(4,350)	(31,405)
28,745	(Surplus)/Deficit carried forward	(585)	(1,202)	(1,788)

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 2021 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	451	308	6/9	205
B	1,691	1,162	7/9	904
C	9,292	7,165	8/9	6,369
D	14,758	12,633	9/9	12,633
E	10,049	9,013	11/9	11,016
F	4,628	4,247	13/9	6,135
G	2,141	2,011	15/9	3,352
H	115	107	18/9	214
Total	43,125	36,647		40,829
				40
			3.00%	(1,226)
				39,643
				Council Taxbase for 2021/22

40. Non-Domestic Rates

Non-domestic rates receivable are based on local rateable values multiplied by a national non-domestic rate multiplier. The total non-domestic rateable value as at 31 March 2022 was £114,981,935 and the national non-domestic rate multiplier for 2021/22 was £0.512 and £0.499 for small businesses.

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

2020/21			Group CI&ES			2021/22		
Expenditure	Income	Total		Expenditure	Income	Total		
£'000	£'000	£'000	Notes	£'000	£'000	£'000		
34,691	(28,285)	6,406	Community Wellbeing & Housing	35,207	(27,022)	8,185		
26,390	(4,088)	22,302	Corporate Policy and Resources	8,846	(2,816)	6,030		
387	(402)	(15)	Economic Development	534	(789)	(255)		
6,180	(2,551)	3,629	Environment & Sustainability	6,851	(1,946)	4,905		
6,128	(2,099)	4,029	Neighbourhood Services	6,433	(2,130)	4,303		
5,341	(4,080)	1,261	Regulatory Administrative Comm	4,775	(563)	4,212		
<u>79,117</u>	<u>(41,505)</u>	<u>37,612</u>	Cost of Services	<u>62,646</u>	<u>(35,266)</u>	<u>27,380</u>		
9,893	(429)	9,464	Other Operating Income & Expenditure	26,881	(28,012)	(1,131)		
81,777	(54,429)	27,348	Financing & Investment Income & Expenditure	51,527	(55,091)	(3,564)		
16,047	(22,944)	(6,897)	Taxation & Non-specific Grant Income	26,930	(48,298)	(21,368)		
<u>186,834</u>	<u>(119,307)</u>	<u>67,527</u>	(Surplus)/Deficit on the Provision of Services	<u>167,984</u>	<u>(166,667)</u>	<u>1,317</u>		
		(14,211)	(Surplus)/Deficit on revaluation of Property, Plant & Equipment			(4,978)		
		0	Impairment Losses on non-current assets charged to the Revaluation			2		
		(5,625)	(Surplus)/Deficit from investments in equity instruments designated at fair value through other comprehensive income			(1,705)		
		8,961	Remeasurement of the the defined net defined benefit liability/(asset)			(15,671)		
		1	Tax loss on Company loss					
		<u>(10,874)</u>	Other Comprehensive Income & Expenditure			<u>(22,352)</u>		
		<u>56,653</u>	Total Comprehensive Income & Expenditure			<u>(21,035)</u>		

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 single entity Reserves	Council's share of Associate's reserves	Total Group Reserves
2021/22	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance brought forward 1st April	(61,716)	0	(2,822)	(64,538)	108,093	43,555	335	43,890
Movements in-year								
Total Comprehensive Income & Expenditure	(485)			(485)	(22,352)	(22,837)		(22,837)
Adjustments between KGE & SDS							(1,888)	(1,888)
Net before adjustments	(485)			(485)	(22,352)	(22,837)	(1,888)	(24,725)
Adjustments between accounting & funding basis under regulations	(3,175)	(468)	827	(2,816)	2,816	0	0	0
(Increase)/Decrease in-year	(3,660)	(468)	827	(3,301)	(19,536)	(22,837)	(1,888)	(24,725)
Balance carried forward 31st March	(65,376)	(468)	(1,995)	(67,839)	88,557	20,718	(1,553)	19,165

Group Balance Sheet

31 Mar 21	Group Balance Sheet	Notes	31 Mar 22
£'000			£'000
153,587	Property, Plant & Equipment		162,770
222	Heritage Assets		215
939,747	Investment Property		916,375
253	Intangible Assets		337
34,192	Long-term Investments		35,870
4,673	Long-term Receivables		31,486
1,132,674	Long-term Assets		1,147,053
54,451	Short-term Investments		40,477
0	Assets held for Sale		0
33	Inventories		25
15,671	Short-term Receivables		21,315
11,693	Cash & Cash Equivalents		53,144
81,848	Current Assets		114,961
(77,735)	Short-term Borrowing		(44,678)
(59,105)	Short-term Payables		(78,163)
(3,684)	Short-term Provisions		(1,353)
(140,524)	Current Liabilities		(124,194)
(4,570)	Long-term Payables		(31,081)
(1,053,820)	Long-term Borrowing		(1,077,472)
(59,497)	Other Long-term Liabilities		(48,432)
	Long-term Grants received-in-advance - Capital		
(1,117,887)	Long-term Liabilities		(1,156,985)
(43,889)	Net Assets		(19,165)
(64,283)	Usable Reserves		(65,704)
108,172	Unusable Reserves		84,869
43,889	Total Reserves		19,165

Group Cash Flow Statement

2020/21 £'000	Cash Flow	Notes	2021/22 £'000
55,024	Net (Surplus)/Deficit on the Provision of Services	CI&ES	(484)
(81,210)	Adjustments to net (surplus)/deficit on the Provision of Services for non-cash movements	22	(73,140)
3,800	Adjustments to net (surplus)/deficit on the Provision of Services that are Investing and Financing Activities	22	2,884
(22,386)	Net Cash Flow from Operating Activities		(70,740)
46,282	Investing Activities	23	5,020
(18,872)	Financing Activities	24	22,571
5,024	Net (increase)/decrease in Cash & Cash Equivalents		(43,149)
16,608	Cash & Cash Equivalents at the beginning of the reporting period		11,584
(5,024)			43,149
11,584	Cash & Cash Equivalents at the end of the reporting period	17	52,953

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.

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

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 misstated, 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.

Corporate Policy & Resources Committee

11 July 2022



Title	Briefing note – 2022/23 Budget forecast adverse impact of the Cost of Living Crisis on pay, fuel, electricity & gas prices and other items.
Purpose of the report	To note the report and approve the transfer of £362,000 to an earmarked reserve.
Report Author	Paul Taylor Chief Accountant
Ward(s) Affected	All Wards
Exempt	No
Corporate Priority	Community Affordable Housing Recovery Environment Service Delivery
Recommendations	<p>The Committee is asked to note the report and financial implications on the increase revenue cost burdens for 2022/23 and beyond for a number of items highlighted in section 2 and how it likely to adversely impact on the 2022/23 outturn forecasts (£321k) and 2023/24 budget (£1,195k).</p> <p>The Committee is asked to approve the transfer of £362,000 as highlighted in 3.5 below, to an earmarked reserve to be used to support the funding of the cost of living crisis during 2022/23.</p>
Reason for Recommendation	<p>Towards the end of the 2022/23 budget setting process, the Council was seeing significant increases in revenue costs, i.e., fuel (for our refuse and ground maintenance fleet and equipment), electricity and gas at Council owned premises. As well as significant capital expenditure inflation in respect of building materials and labour charges, together with an increase in the Public Works Loan Board (PWL) 50 year maturity rate.</p> <p>These pressures will also impact on the budgeted salary settlement, and officers believe that we will see a significant increase in the National Pay Award, which SBC has advised that it will try to match.</p> <p>Whilst some of this was factored in, events after the budget approval on 24 February 2022 and the subsequent forecasted increases in inflation has caused officers to revisit the budget and forecast for the year ahead.</p>

1. Summary

- 1.1 After Council approved the 2022/23 Budget on 25 February, the inflationary pressures on our revenue expenditure increased further, particularly on fuel, electricity, and gas, plus there are potential implications for our salary budget once the national employers' award is agreed. As well as on capital expenditure, in respect of materials and labour and officers have been assessing the possible impact on the Council's revenue and capital finances for this year and beyond.
- 1.2 On 13 June, the Public Works Loan Board (PWLB) 50 year maturity certainty rate had increased to 3.43% per annum, this has made it more challenging and will impact on the viability of each project going forward, as a number of the Council's development projects had still not been approved and those that have been, were prepared using an average PWLB rate of between 1.8% and 2.3%, therefore, over the next four weeks, officers will be reviewing each individual projects viability.
- 1.3 The table in 4.1 below indicates the Council will need to look to make savings of £1,195k for the 2023/24 Budget to submit a balanced budget and therefore Council will need to consider implementing a mixture of the following:
- (a) Cashable Root and Branch savings
 - (b) Digital Transformation – for example, automating and standardising processes.
 - (c) Procurement savings
 - (d) A moratorium on growth bids for additional FTEs exempt where a statutory requirement or externally funded.
 - (e) Use of reserves in a planned short to medium term way to bide time for savings to be delivered
 - (f) Collaborative working with other Councils and partners
 - (g) Energy efficiency investments which will reduce revenue running costs over time
 - (h) Delivering the Council's affordable housing targets easing pressures on the Council's Revenue Budget

The above list is not exhaustive other options including generating increased income streams should be considered.

2. Key issues

- 2.1 Officers have reviewed the main budget costs to consider the impact of the rapid rise in inflation forecasts predicted by the Consumer Price Index (backward looking), the Bank of England Index (forward looking) and individual commodity price fluctuations caused by inflation, for example, gas, electricity and fuel.
- 2.2 It is difficult for officers to predict what will happen beyond 2024/25 at this stage, so it has been assumed that these issues will continue to impact on the Council's finances.

3. The main issues considered

Officers have considered a range of issues and summarised the impact of each option on the initial balanced budget, in a table in section 4.1 below.

- 3.1 Due to the delays in planning permission for the Council's development properties, officers are forecasting that the Council's tax base (volume reduction) entitlement will be approximately two percent less than had been initially forecast.
- 3.2 The inflationary pressures on fuel (for our refuse and ground maintenance fleet and equipment), gas and electricity will have a significant impact on the Council's balanced budget for 2022/23 and the planned budget deficits from 2023/24 to 2025/26.
- Based on our current consumption, officers predict that the Council will face an increase of approximately £300,000 per annum on our fuel and heating budgets.
- 3.3 Whilst officers had originally forecast the maximum increase in Council Tax, and still recommend that from the viewpoint of protecting the Council's tax base, i.e., £5.00 (2.4%), they have modelled a slightly lower percentage increase to reflect how any subsequent Council approved reduction in Council Tax, would impact on the 2022/23 budgeted income. (For noting, that a 1% movement in Council Tax equates to approximately £80,000 of funding).
- 3.4 In 2022/23 the Council assumed that the pay award would be 2% for the majority of staff (2.5% for grades 1 to 5) with a commitment to aspire to honour the national pay award once settled. Current indications are that the National Pay Award will be around 4%.
- 3.5 As indicated in appendix A, officers on the Corporate Debts Group have been able to identify an additional £362k of unallocated cash receipts, i.e., customers had paid monies to the Council and no sales invoice had been raised for the service.
- 3.6 The Pension uplift employers' contribution figures are due to be published in the autumn for the next triennium and take effect from 1st April 2023, based on current expectations, officers are expecting to see a significant increase, and have therefore doubled the previous uplift provision assumption for 2023/24 onwards by a further £300k per annum.
- 3.7 Given that Officers are currently doing this exercise for the Council, the Finance Team have assumed that the Council will receive a request for continued financial support, in respect of additional electricity and gas costs, from the SLM our leisure centre operator and have provided for a figure of £20k, as a best estimate for the leisure centre.
- Other non-material items to consider**
- 3.8 Knowle Green Estates (KGE) – due to the delays in agreeing Oast House and Thameside, officers are not forecasting a substantial increase in funds into the Council for the next four years.
- 3.9 Spelthorne Direct Services (SDS) – while the company continues to make progress, despite the pandemic, they will not be making any material contribution that will reduce the Council's planned deficit over the next four years.

- 3.10 Officers would expect to see an increase in the annual HMRC Mileage rates, however, as the annual budget is around £40k, any increase will not impact significantly on the planned deficit.
- 3.11 Officers are assuming that the recent increase in planning fees announced by DLUHC will offset the shortfall experienced elsewhere within the Council, as demand slows because of the cost of living crisis.

4. Financial implications

- 4.1 Summarising the potential material adjustments to the planned deficit in the table below:

	2022/23 £000's	2023/24 £000's	2024/25 £000's	2025/26 £000's
Planned revenue budget surplus	0	24	291	361
3.1 – 2% reduction in Council Tax base	-171	-178	-185	-192
3.2 – Inflationary pressures				
Fuel	-51	-51	-51	-51
Electricity	-187	-187	-187	-187
Gas	-59	-59	-59	-59
3.3 – 2.4% (£5) CT increase reduced to 2.0%	0	-40	-40	-40
3.4 – 2022/23 Pay Award- 2% extra	-426	-434	-444	-452
3.5 – Unallocated Cash	360	0	0	0
3.6 – Pension uplift	0	-300	-300	-300
3.7 – Leisure Centre	0	-20	-20	-20
Revised planned revenue budget deficit	-321	-1,195	-943	-887

- 4.2 The revised planned deficit is officers' high level best estimate of what we currently know, and it is expected to change, for the worse, over the next twelve months, because over the last twelve months the Consumer Price Index has risen sharply from 1.6% to 9.00% and Bank of England forecast inflation has dramatically increased from just over 2% to the current forecast peaking at 10% and falling back to 9% at the end of the year.
- 4.3 If the inflation forecasts from the Bank of England rise beyond 9%, officers will have to review the above figures upwards, i.e., the deficit will increase.
- 4.4 These figures do not show the whole picture, as they are based on a basket of goods on what the average family might consume, based on running a 'typical' family car, and therefore, the committees and officers must look closely at each individual item of expenditure, to establish the true rate of

inflation, i.e., the cost of fuel which has seen the average unleaded petrol prices rise from £1.26 per litre to £1.82 per litre a rise of 44%

- 4.5 Given the above pressures, the 2023-24 Budget will be extremely challenging.
- 4.6 Officers will be proposing an update to the 2023/24 budget setting process, and this will be covered by a separate report to this committee, as well as a budget briefing session being held on 21 June.

5. Risk considerations

- 5.1 The report details at a high level the material items that will impact on the Council's finances for the four years to 2025/26, turning planned budget surpluses in to revised budget deficits.
- 5.2 Council will be required to take action to make savings or use earmarked reserves to re balance the budget.

6. Legal considerations

- 6.1 There are no legal implications based on the report itself, however, any actions taken subsequently may require input from the legal team involvement.

7. Other considerations

- 7.1 None

8. Equality and Diversity

- 8.1 None

9. Sustainability/Climate Change Implications

- 9.1 None.

10. Timetable for implementation

- 10.1 None

Background papers: 2023/24 Budget Setting Process Report (this report was also submitted to this Committee meeting)

Appendices: Appendix A – Unallocated cash balances.

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Unallocated cash balances

1. Summary

- 1.1 Officers have identified approximately £360k of unallocated cash balances in the Council sales ledger, which has resulted in the Council raising the necessary sales invoices in 2020/21 to clear these balances.

2. Key issues

- 2.1 There are a number of factors that have impacted on this issue.
- 2.2 There has been no formal external audit for four years, we were close to finalising the value for money audit, however, KPMG are now taking a little more time to consider their options.
- 2.3 In March 2020, the COVID-19 pandemic, new ways of working and key changes of staff meant that the review of unallocated cash, was not prioritised as the emphasis was on raising invoices and collecting cash, as seen by the strong collection rates for rental income, Business Rates and Council Tax.
- 2.4 In the Spring of 2021, officers carried out a review of all outstanding sales ledger balances and discovered a large unallocated cash receipt, dating back to December 2019, which had been banked and the sales invoice was not raised, which would have cleared the cash balance and improved outturn for 2019/20.
- 2.5 Officers carried out an extensive internal and external investigations to ensure that this cash was legitimately the Council's and after 9 months work, they raised the invoice for this and a few other unallocated cash balances, generating over £360k of revenue.
- 2.6 In the Revenue Outturn monitoring report for 2021/22 officers recommend that this Committee approve that this money is transferred to an earmarked reserve to assist with funding the forecast shortfall in net expenditure caused by the Cost of Living crisis in 2022/23.

3. Financial implications

- 3.1 Officers have considered the circumstances the led up to these issues being unresolved for twelve months or more and as mentioned in section two above there were a number of factors that caused this issue.
- 3.2 There were no financial implications from a cash flow perspective as the sales cash had been received and fully utilised by the Treasury Management team.
- 3.3 The responsibility for ensuring that this does not occur again, resides with the Corporate Debt Group who meet on a monthly basis to review the sales ledger for SBC, CIL and KGE.

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Corporate Policy & Resources Committee

11 July 2022



Title	Briefing note - 2023/24 Budget Setting Process
Purpose of the report	To note and approve the report
Report Author	Paul Taylor Chief Accountant
Ward(s) Affected	All Wards
Exempt	No
Corporate Priority	Community Affordable Housing Recovery Environment Service Delivery
Recommendations	<p>The Committee is asked to</p> <p>A - note the report</p> <p>B – approve the timetable set out in section 10 below.</p> <p>Regarding the process for preparing the 2023/24 budget and the challenges the Council will be facing with the impact of the Cost of Living crisis (see previous report) which started in 2022/23 and indicates that the Council is facing a deficit of approximately £1.2m in 2023/24 that needs to be funded, in order to deliver a balanced budget for Council to approve at their February 2023 meeting.</p>
Reason for Recommendation	The 2022/23 budget setting process was the first to be completed under the Committee System of Governance since 1990, and whilst Council voted through a budget, there were a number of key learning points that need to be developed for the 2023/24 Budget Setting process as detailed below, noting that this report deals with the high level issues, not the micro detail.

1. Summary

- 1.1 The 2022/23 Budget setting process was the first undertaken by the Council with the new Committee Structure in the last twenty years, with the budget approved by Council on 24 February 2022.
- 1.2 As part of officers' normal review process, the Finance Team asked for feedback from Councillors, senior officers, and budget managers, which has been incorporated into the points highlighted in the report.
- 1.3 This report sets out the issues and proposed timetable for the 2023/24 budget setting process, which includes streamlining the reporting process, by aligning

all service plans to the current Corporate Plan and requesting that growth and savings bids are reflected in each cost centres service plan.

- 1.4 By combining these activities, budget managers and officers will spend less time form filling and each committee will have more time to consider the implications on their area of responsibility, prior to the suggested deadline of 15 September, shown in section 10 below.
- 1.5 The Finance Team is looking to implement a new budget control system, utilising Integra which will reduce the time taken to collate a whole of Council budget.
- 1.6 This will enable Senior Officers to complete the budget setting process and submit the first draft of the 2023/24 Budget to all committees by Monday 5 December. Providing Councillors with more time to consider the budgets ahead of their relevant committee meetings in January 2023.
- 1.7 Officers are forecasting that the cost of living crisis will adversely impact on the Council's 2023/24 balanced budget by approximately £1,235k and therefore, Council through the committees will be looking to implement a mixture of some or all of the following:
 - (a) Cashable Root and Branch savings
 - (b) Digital Transformation – for example, automating and standardising processes.
 - (c) Procurement savings
 - (d) Moratorium on growth FTEs except for statutory requirements or where externally funded
 - (e) Use of reserves in a planned short to medium term way to bide time for savings to be delivered
 - (f) Collaborative working with other Councils and partners
 - (g) Energy efficiency investments which will reduce revenue running costs over time
 - (h) Delivering the Council's affordable housing targets easing pressures on the Council's Revenue Budget

The above list is not exhaustive other options including generating increased income streams should be considered.

2. Key issues

- 2.1 Whilst Council approved the 2022/23 Budget, during the process there were several observations and feedback for development with the 2023/24 budget setting process.
- 2.2 One of the issues appear to be around involvement of each Committee and the division of responsibilities, as we evolved from the Cabinet to Committee and having sufficient time to review the budget for each committee.
- 2.3 The changes to the timetable as mentioned above should dramatically improve the time available to Councillors to input into the budget and review the outcomes.
- 2.4 There were several other matters, which officers have considered and amended our processes, with some requiring the approval of this committee

to implement, as part of the evolution of the budget setting process for 2023/24, as set out below.

3. Options analysis and proposal

Service plans are to be linked to the Corporate Plan

- 3.1 Budget Managers will be required to align their service plans, with the Council approved Corporate Plan, this will include submitting all relevant growth and savings bids to support the aspirations included in their plan.
- 3.2 In the absence of a 2023/24 Corporate Plan, Budget Managers are asked to work with the current approved 2021-2023 Corporate Plan.
- 3.3 The Transformation and Finance Teams have been tasked with working more closely together to assist both Budget Managers and Committees by becoming critical friends providing full support and robust questioning of Budget Managers at the Budget Setting process and with outturn performance throughout the year.
- 3.4 As a result, they are implementing the process for completing services plans, growth and savings bids together, as highlighted in 3.1 above.
- 3.5 Growth plans will then be prioritised based on their links to the deliverables of the 2021-2023 Corporate Plan.

Last three years' budgets

- 3.6 An underspend is just as challenging as an overspend, as it ties up budget funding that could provide a better return for the Council if utilised elsewhere.
- 3.7 The Finance Team will review the last three years' budgets for the following scenarios:
 - (a) Budget allocated and there has been little, or no actual expenditure incurred.
 - (b) Actual expenditure incurred where there has been no budget allocated.

Once the review has been carried out, MAT will consider its next steps, as part of the process to reduce the forecast funding gap of £1,195k for 2023/24.

- 3.8 The Finance Team will also consider why this is happening and consider how other districts & boroughs are setting their budgets and what evolutionary changes to Spelthorne Borough Council's should be implemented and or recommend to council for approval.

Savings

- 3.9 Due to the financial pressures impacting on the Council in 2022/23 and beyond because of the cost of living and inflationary crisis, one of the options being considered is to request that each Committee is requested to deliver a fixed saving, from their budgets, this could be via improved cost control or expanding services by increasing prices, getting customers to buy more often and increasing the number of customers, the latter two being particularly relevant for fees and charges. Effectively each Committee will be set a cash limit for their Budget.
- 3.10 One impact of this would be to implement a policy of no net growth bids and if growth bids are required each committee will need to fund this growth from

savings or increased income from existing budgets, after the net savings have been achieved.

- 3.11 This will involve close liaison with the Corporate Policy & Resources Committee, the Chair and Vice Chair of Corporate Policy and Resources and Senior Officers.

Purchase order approval

- 3.12 There have been a number of instances where a number of purchase orders being issued on accounts where the budget has already been exceeded, and there were no notes to advise why.
- 3.13 The Finance Team are looking at rephrasing some of the budgets, without increasing the actual budgeted spend, together with the various exception reports available within Integra, to flag up to Budget Managers and Group Heads, when budgets have been exceeded, this should lead to greater control of budgets and an improved budget setting process.

Cash Limits

- 3.14 The Finance Team will review the current budget process, to provide Budget Managers and Group Heads, some more flexibility on how they set their budgets, and to provide them more control over allocating their budget rather than going for an annual cost plus approach.
- 3.15 In providing more flexibility to Group Heads and Budget Managers it is envisaged that the Council will eliminate some of the items mentioned above, i.e., actuals with no budgets, budgets without any spend and overspending budgets, by using the cost plus approach.

Cashable Savings

- 3.16 The Transformation and Finance Teams working closer together have been tasked with delivering clearly identifiable cashable savings over the coming three to five years.
- 3.17 This will start by the two teams presenting a plan of areas of focus on, (the low hanging fruit) for MAT to review and Council to approve.
- 3.18 One area is the centralised purchasing of consumable items, such as, printing, so that approved orders as sent direct to the supplier for delivery, without having to go through any one department, noting that we will still require the process to pass through the proper procurement procedures and have a system of review in place, to ensure the Council receives best value for money. This would also apply to our telephone costs.

Deadlines

- 3.19 Officers are currently working to have the 2023/24 final draft budget completed and approved by MAT and Group Heads by the first week of December, aiming to circulate same to all Councillors during the week commencing 5 December.
- 3.20 This should go some way to alleviating the pressure on Committees and ensure that they have over a month to review their budgets, ahead of the January Committee meetings.

Feedback from Group Heads

- 3.21 Concern was expressed about the pressures on obtaining funding, particularly from external sources, for projects if the Council were looking to commence and finalise the budgets earlier in the cycle. The Committees and Officers will need to factor this in.
- 3.22 It was felt that the RAG system was not as effective as intended as most committees accepted officer recommendations and alternative solutions that incorporate alignment to the Corporate Plan are being considered ahead of submitting reports to the Corporate Policy & Resources Committee later in the year.
- 3.23 The process of submitting growth bids could be refined and is being considered by officers.
- 3.24 There needs to be stronger communication between budget managers particularly when relying on other department for services and costs. Again, officers will look to improve this process as part of the micro detail.
- 3.25 Concerns over the standardisation in the detail of growth bids, noting that some committees required more information, others less, therefore, the Chair of CPRC and officers will discuss this with a view to setting a standard report template for all committees.
- 3.26 Officers were required to review the growth bid process, as it appeared to indicate that those bids received after the deadline received a less rigorous review process, than those received before the first deadline. For officers to achieve the timeline suggested below and ensure that the committees have adequate time to review their costs centres, a strict adherence to the deadlines will be implemented, with all late submissions requiring both the Chair of Corporate Policy & Resources and Chief Executive approval. Further by aligning all growth bids to the service plans and the priorities of the Corporate Plan, officers believe that this issue will be resolved.
- 3.27 The bid process needs to be refined to include a ranking system from the outset, and it is felt that by aligning these bids with the Corporate Plan this will eliminate most of the issues experienced in the past.
- 3.28 A number of Councillors and Group Heads suggested that a different reporting structure was required for those growth bids that are being or receiving funding to be cost neutral and those that are being imposed as part of a statutory requirement. The Finance Team will consider this and report back to The Chair of Corporate Policy & Resources and the Chief Executive.

De minimis limits

- 3.29 A number of Councillors raised the point about small bids and why were they being asked to approve such small amounts. On the basis that Group Heads and Budget Managers know their business units, any growth bids under £5k and not involving the recruitment of an FTE or part thereof, should be dealt with from existing budgets, and service plans should reflect this.
- 3.30 Please note if it just involves a staff restructure with no material impact on annual costs, e.g., 6 hours given up by employee one, and 8 hours given to employee two, with a net increase in costs of £2,000, all the budget managers will be required to do is submit a staffing report to MAT, for approval, in the normal way.

4. Financial implications

- 4.1 There are no financial implications based on any of the points mentioned above beyond those set out above.

5. Risk implications

- 5.1 Whilst the budget setting process will not carry any financial risks, the Council must approve a balanced budget and the issues mentioned above around the cost of living crisis will require some difficult decisions for Council, in order to achieve this.

6. Legal implications

- 6.1 In accordance with the Council's legal obligations, they must approve a balanced budget for 2023/24.

7. Other considerations

- 7.1 None, the final 2023/24 budget setting process will be discussed with the Chair of Corporate Policy & Resources and our Constitution amended if required.

8. Equality and Diversity

- 8.1 Budget Managers would need to consider whether these developments require an equality impact assessment to be undertaken, particularly where savings may be requested.

9. Sustainability/Climate Change Implications

- 9.1 There is no impact on sustainability or climate change because of the above suggestions.

10. High level timetable for implementation

- (a) All Councillor Budget briefing 21 June 2022.
- (b) MAT agree inflation parameters for fees and charges, pay and costs by 15 July 2022 and in view of the cost of living crisis, Officers are factoring a final review in February 2023, see item (x) below.
- (c) Throughout the 2023/24 budget setting process MAT will be liaising with the Chair of Policy and Resources.
- (d) MAT, Group Heads, Budget Managers, Transformation and Finance commence the process of completing service plans and growth bids on 1 July 2022, for submission to completion by 15 September 2022, this will include liaising with the relevant Committee Chair, Vice Chair and Members as appropriate.
- (e) Unison provide details of the proposed pay claim by end of August.
- (f) Transformation and Finance review the service plan and raise queries and points of clarification between 15 and 30 September 2022 and final service plans shared with MAT.
- (g) 1 October to 15 October 2022, Finance produce the first draft of the 2023/24 Budget for review with the Finance Director.
- (h) 16 October 2022, Draft 2023/24 Budget shared with MAT
- (i) 25 October 2022, Draft 2023/24 Budget shared with Group Heads

- (j) 1 November 2022, meeting with MAT+ to discuss draft budget and agree plans for the way forward to agree a balanced budget.
- (k) 4 to 14 November 2022, meetings with Budget Managers to discuss their service plans and agree outcomes.
- (l) 18 November final draft budget submitted to Finance Director for review
- (m) 23 November final draft budget submitted to MAT & Group Heads for review
- (n) 29 November – MAT and Group Head meet and approve draft budget.
- (o) 5 December 2022 final draft budget submitted to Councillors.
- (p) Opportunities for Committee members to ask questions through the Chair.
- (q) 5 January 2023 – Neighbourhood Services & Enforcement Committee
- (r) 10 January 2023 – Environment & Sustainability Committee
- (s) 12 January 2023 – Economic Development Committee
- (t) 16 January 2023 – Corporate Policy & Resources Committee
- (u) 17 January 2023 – Community Wellbeing & Housing Committee
- (v) 19 January 2023 – Administration Committee
- (w) 20 to 25 January 2023 – Final adjustments by Finance Team to the 2023/24 budget
- (x) 26 January 2023 – Chief Finance Officer to review
- (y) 30 January 2023 – MAT to review final 2023/24 Budget and review inflation assumptions, before reports issued to Group Heads and Councillors on 7 February
- (z) 20 February 2023 - Corporate Policy & Resources Committee
- (aa) 23 February 2023 – Council meeting

Background papers: 2022/23 Budget Pressures Report (this report is also presented at this Committee meeting).

Appendices: None

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Corporate Policy and Resources Committee



11 July 2022

Title	LGA Corporate Peer Challenge update
Purpose of the report	To note
Report Author	Daniel Mouawad – Chief Executive Lee O’Neil - Deputy Chief Executive Terry Collier – Deputy Chief Executive
Ward(s) Affected	All Wards
Exempt	No
Exemption Reason	N/A
Corporate Priority	Community Affordable housing Recovery Environment Service delivery
Recommendations	Committee is asked to: Note the contents of the report and progress with preparing for the LGA Corporate Peer Challenge.
Reason for Recommendation	Not applicable

1. Summary of the report

- 1.1 At the last Corporate Policy and Resources Committee (CPRC) it was agreed that the Council would participate in a Local Government Association (LGA) Corporate Peer Challenge (CPC) later this year.
- 1.2 This report seeks to provide the Committee with some more background information on the process involved and progress with preparations for the CPC.

2. Key issues

- 2.1 Spelthorne’s last full Corporate Peer Challenge was undertaken in 2014 with a more focused Finance Peer Review undertaken remotely in 2020. Full CPCs are recommended to be undertaken every five years. The Council is therefore planning to undertake such an exercise later this year.
- 2.2 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 CPC team will involve

peers from across the sector and beyond (including senior officers and councillors (usually including a Leader) from other local authorities).

- 2.3 The CPC is not an inspection, does not involve a scored assessment and the Peer Team do not undertake any sort of detailed service assessment. The results are not reported to government. They are improvement focused and the scope will be agreed with the Council and tailored to reflect our local needs and specific requirements.
- 2.4 Each CPC covers five core elements:
- (a) Local priorities and outcomes
 - (b) Organisational and place leadership
 - (c) Governance and culture
 - (d) Financial planning and management
 - (e) Capacity for improvement
- 2.5 In addition to these five core elements, the Council will also have an opportunity to ask the Peer Team to specifically focus on an area of particular interest for the Council, where it might want some external review or expertise to assist a particular local issue or challenge. This main focus of the challenge will be agreed in advance as part of the planning process for the CPC so that LGA can build a Peer Team that will include some expertise in the relevant area of interest.
- 2.6 The proposed main focus for Spelthorne is:
- ‘How can Spelthorne ensure that it can continue to deliver sustainable, affordable housing developments for the borough?’*

The Process

- 2.7 The LGA team will work with the Council to:
- (a) Plan the scope of the exercise,
 - (b) Put a suitable and robust team in place, and
 - (c) Plan the peer challenge process.
- 2.8 The CPC itself will be undertaken over a period of three to four days, when the team will meet with staff at the Council, Councillors, residents, business representatives, partners and other interested parties. There will be interaction through meetings and workshops, and at the end of the week they will provide a presentation and report back to the Council. The Council can then use, share and build-upon the learning and information gained through this process.
- 2.9 Around six months after the CPC, the LGA will organise a check-in meeting. This will be a facilitated session which creates space for the Council’s senior leadership to explore progress and challenges with peers and discuss any next steps.

Preparing for the peer challenge

- 2.10 The CPC process is designed to be flexible and adaptable to suit the Council’s needs, so that it can be focussed on what is most important to

Spelthorne and to get the best result for our authority and area. An important element of this are the initial scoping meetings, whereby the LGA team will normally meet with the Leader and Chief Executive, usually four to six months in advance of the peer challenge to discuss and agree upon:

- (a) the main focus of the challenge
- (b) the nature and composition of the peer team
- (c) when it would be best to undertake the peer challenge
- (d) the value and purpose of any preparatory work/material
- (e) The nature and form of the feedback at the end of the peer challenge.

Dialogue will then continue in the period leading up to the planned CPC date. The first of these scoping meetings was held on 20 June 2022.

- 2.11 The LGA team will only request information and documentation which is proportionate to the scope and focus of the CPC. Much of the background information the peer team needs should already be in existence and in the public domain and they will only ask for additional documents if these are considered essential. The CPC team will be better able to make a more effective contribution when they fully understand the issues involved – so they ask for a short ‘position statement’ to be prepared about the main focus of the challenge. Preparation of this document and additional background information has commenced.

The peer team

- 2.12 The peer team will include experienced officers and councillors to ensure the Council gets the most appropriate challenge, support and ideas for its specific needs. This team will be drawn up in line with the Council’s needs and will reflect the main focus of the peer challenge. The composition of the teams will be agreed in advance and will typically comprise of senior and experienced officers and councillors, although there is scope to involve other peers from across the public, private or voluntary sectors, depending on the focus of the peer challenge. Each team will have an LGA peer challenge manager.

Results from the peer challenge

- 2.13 Feedback will take place in a number of different ways that will be discussed and agreed with the Council:
- (a) The peer team will provide continuous feedback throughout the peer challenge process.
 - (b) A roundtable feedback discussion on the final day on-site comprising of an audience of the Council’s choosing. The team will share its views and offer comments on the core components and any additional areas of focus.
 - (c) A feedback report will be produced for the Council outlining the main findings and conclusions, recommendations for improvement and innovation, and signposting examples of good practice and case study material.
 - (d) An improvement planning session, wider feedback event, or other activity can be offered to enable discussion and development of plans to take forward the feedback from the peer challenge.

- 2.14 The intelligence gained from the key leadership and corporate capacity research will be fed back into the LGA to inform the planning of future support. It will also contribute to the LGA's sector knowledge base to demonstrate how sector-led improvement works for local government.
- 2.15 It is for the Council itself to decide how it uses the feedback provided and if, when and in what form it plans to publish the results of the peer challenge. The LGA strongly encourages councils to publish the results, and most do this as part of their continuing commitment to be accountable to the communities they serve.
- 3. Options analysis and proposal**
- 3.1 The Committee is asked to note the contents of the report and progress with preparations for the LGA CPC.
- 4. Financial implications**
- 4.1 There are no additional costs for the LGA to undertake a CPC as the Council pays an annual £10,000 LGA subscription.
- 5. Risk considerations**
- 5.1 It is possible that due to internal and external pressures, and availability of LGA Peers, the proposed start date for Spelthorne's CPC may need to be adjusted.
- 6. Legal considerations**
- 6.1 There are no direct legal considerations relating the proposed CPC.
- 7. Other considerations**
- 7.1 Following the Corporate Finance Review in November 2020 (with the final version of the report received in January 2021), the Cabinet agreed, in April 2021, an Action Plan outlining 24 actions, with an assessment of state of progress against each of those actions.
- 7.2 Progress against the Action Plan was most recently reported (alongside an updated self-assessment against the CIPFA Financial Management Code) to Audit Committee on the 25 November 2021, when 13 actions had green status, 9 had amber status and one was no longer applicable (as a result of no longer have separate Overview and Scrutiny Committee following the move to a committee system).
- 8. Equality and Diversity**
- 8.1 There are no direct equality and diversity considerations relating to the proposed CPC.
- 9. Sustainability/Climate Change Implications**
- 9.1 The proposed main area of focus for the CPC Peer Team would include an opportunity to consider environmental sustainability issues relating to the Council's affordable housing developments.
- 10. Timetable for implementation**
- 10.1 At the CPRC meeting on 22 April 2022 it was suggested that the CPC could potentially be undertaken around September/October 2022. Following discussions internally and with the LGA, it has been agreed that the optimal time for this would now be slightly later in the year (towards the end of

November). A further update will be provided to the Committee once these dates are finalised.

11. Contact

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Background papers: There are none.

Appendices: There are none.

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