Please reply to:
Contact: Matthew Williams
Service: Committee Services
Direct Line: 01784 446224
E-mail: m.williams@spelthorne.gov.uk
Date: 19 July 2023

Notice of meeting

Audit Committee

Date: Thursday, 27 July 2023

Time: 7.30 pm

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

To the members of the Audit Committee

Councillors:

J. Button (Chair)
K. Howkins (Vice-Chair)
M. Arnold
S. Bhadye
M. Bing Dong
L. E. Nichols

Independent Member:
P. Briggs

Substitute Members: Councillors C. Bateson, M. Buck, J.Turner and J.R. Sexton

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.

Agenda

This page is intentionally left blank

AUDIT COMMITTEE

(7 councillors reflecting political balance and one independent member)

1. To provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process:

    - To approve (but not direct) the internal audit's strategy plan and performance.
    - To review summary internal audit reports and the main issues arising and to seek assurance that action has been taken where necessary.
    - To consider the reports of external audit and inspection agencies.
    - To consider the effectiveness of the authority's risk management arrangements, the control environment and associated anti-fraud, bribery and anti-corruption arrangements.
    - Seek assurances that action is being taken on risk related issues identified by auditors and inspectors.
    - To be satisfied that the authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and to take actions required to improve it.
    - To ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.
    - To review the financial statements, external auditors' opinion and reports to councillors, and monitor management action in response to the issues raised by external audit.

2. To receive Corporate Project Management updates

This page is intentionally left blank

Minutes of the Audit Committee
23 March 2023

Present:

Councillor H. Harvey (Chairman)
Councillor J. Button (Vice-Chairman)

Councillors:

S. Buttar	K. Howkins	P. Briggs (Independent Member)
I.T.E. Harvey	L. E. Nichols	

Substitutions: Councillors C. Bateson (In place of T. Fidler)

Apologies: Councillor T. Fidler

In Attendance: Councillors M. Beecher

1/23 Apologies, Substitutes and Welcome

Apologies for absence were received from Councillor Fidler. Councillor Bateson attended in his place.

The Chair welcomed Philip Briggs, Independent Member, to his first Audit Committee meeting.

2/23 Minutes

The minutes of the meeting held on 24 November 2022 were approved as a correct record, subject to the addition of the text below in relation to the item on the forward plan:

"There was also discussion regarding concerns and risk to the authority from hybrid working and it was agreed that this be covered at the next committee meeting".

3/23 Disclosures of Interest

There were none.

4/23 KPMG 2017/18 Audit Opinion

Joanne Lees and Philip Johnstone from KPMG, the Council's external auditors, attended for this item.

The Chair introduced this item noting the 5-year delay in receiving the final report from the Council's outgoing external auditors.

KPMG presented the final 2017/18 ISA 260 report which included the ISA 260 report, the auditor's opinion on the Statement of Accounts and Value for Money, the financial statements for 2017/18, and a management representation letter. A draft ISA 260 report for 2017/18 had been presented to this Committee in February 2019. The final ISA 260 report concluded an adverse Value for Money (VFM) opinion which was set out in the Auditor's 2022 Public Interest Report (PIR). The PIR had been presented to Council on 8 December 2022. The Committee noted that all of the follow up recommendations in Appendix 1 of the ISA report had been addressed.

Joanne Lees, for KPMG, explained that KPMG had completed the financial statements, issued an unqualified opinion on the financial statements, and provided commentary on each valuation risk. She restated KPMG's adverse opinion in relation to the Value for Money (VFM) opinion. The report included significant risks, recommendations raised and followed up, audit differences and the issuance of a Public Interest Report (PIR) which would be discussed in the item below.

Philip Johnstone, for KPMG, confirmed that the Public Interest Report had been issued to the Council on 12 October 2022, but not published until 30 November 2022 due to the death of a councillor and a subsequent by-election. The pre-election period had ended on 30 November 2022 and the PIR had been published on that date.

The Independent Member noted the important control recommendations in the report and asked if these would be carried forward by the new auditors. The Chief Finance Officer reported that they had been addressed and would be kept under review.

The Committee **resolved**

1. to accept the ISA 260 report from KPMG and to accept the opinions on the Statement of Accounts and Value for Money, and
2. that the Chair of the Audit Committee and Chief Finance Officer would sign the accounts and the letter of representation.

Councillors Bateson and Nichols voted against the resolution**.**

5/23 Public Interest Report Recommendations Follow Up

The Committee considered a Public Interest Report (PIR) Recommendations Follow Up report which was presented by the Chief Finance Officer. The PIR Recommendations Action Plan set out the Council's responses to the five recommendations made in KPMG's Public Interest Report. One of the recommendations was to develop an action plan to address weaknesses identified in the report.

The Chief Executive, the Monitoring Officer and the Chief Finance Officer addressed the Committee.

Statement from the Chief Executive Officer:
"At 8pm on the 12th October 2022, KPMG released their 2017/18 Public Interest report, concluding their Value for Money process. Despite being in close communication with KPMG for several months prior, the report literally came out of the blue without any prior indication of its intended release.

The very next day, on the 13th October, the KPMG Working Group, comprising of the Leader and the Deputy Leader, who are also the Chair and Vice-Chair of the Corporate Policy and Resource Committee, as well as the Chair and Vice-Chair of the Audit Committee supported by senior and statutory officers, met and assessed the legal practicability of complying with our statutory obligations in setting the necessary course of action.

Urgent communications with KPMG and the Secretary of State and DLUHC ensued immediately thereafter. As the timing coincided with the pre-election period for Spelthorne's most recent by-election and, as the Committee will know we had 4 of those last year, the report's release was delayed until immediately after the polls were closed on the 30th November.

The audit report presented to this Committee in the previous item, has thus taken our auditors 5 years to produce - though to be fair to KPMG, the best part of a year's delay can be directly attributed to the actions of one individual Spelthorne Councillor which is currently being investigated under the Members' Code of Conduct.

Audit congestion and lengthy tailbacks are endemic in the sector and now only 12% of local authority audits are currently being completed within the 6 months statutory deadline.

This is by far the lowest percentage on record since the introduction of the Local Audit and Accountability Act 2014 which saw the abolition of the Audit Commission and the transfer of all audit work to private sector companies.

In fact as recently as last week, the Director General, Local Government, Resilience and Communities at the Department for Levelling Up, Housing and Communities wrote to me and other Chief Executives to update us on the Department's continued work to respond to Sir Tony Redmond's *Local Authority Financial Reporting and external audit: independent review* (the

Redmond Review) and to reaffirm the Department's continued resolve to work with us and others across the sector to ensure a system wide approach to reducing the continued delays to local audits.

However, by any measure the release of our Audit Report, virtually half a decade after the audit year in question, in itself is a remarkably poor turnaround, posing significant concerns in both the 'timely value' of such audits and their associated 'cost value'.

The Public Sector Audit Appointments company believes that such delays in audit opinions have a real public-facing impact, undermining the ability of local authorities to account effectively for their stewardship of public money to taxpayers.

Notwithstanding the contextual factors, the Extraordinary Full Council Meeting was called to formally note and respond to the Public Interest Report with the ensuing Auditors' Recommendations fully accepted – hence the relevance of tonight's focus on the ensuing Action Plan. Thank you Chair."

Statement from the Monitoring Officer:
"Thank you Madam Chair, In dealing with the Public Interest Report, I consider that given the unfortunate circumstances that the Council had to administer a by-election in November 2022, the Council has met its statutory obligations under Schedule 7 of the Local Audit and Accountability Act 2014 in that:-

a) As soon as practicable, the PIR was published on the Council's website
b) As soon as practicable, a copy of the PIR was provided to each of the Council's Members
c) Ensured that any member of the public could inspect the report at all reasonable times without payment
d) A Council meeting was held on 8th December to consider the PIR and made a decision to accept the Recommendations of the Auditor.

As soon as the Council became aware that there would be a delay to publishing the PIR and corresponding notice, KPMG and DLHUC were consulted and they did not object to the timescales that we proposed.

Now turning to the report itself, you will note that it provides a conclusion based on legal opinion together with five recommendations.

I will briefly comment on the legal opinion.

The Auditors assert that the Council did not seek proper legal advice prior to borrowing and purchasing the properties. This is incorrect. The Council sought legal advice on 19th July 2016 and 21st March 2017 and on four further occasions, the latest being November 2022 all from James Goudie KC, a **leading** local government counsel and experienced head of chambers.

The Auditors also conclude that the Council firstly did not, in the circumstances, have the necessary legal powers to borrow and then purchase the properties; and
secondly even if it did have the power, it exercised the power unlawfully, by failing to “have regard” to relevant statutory guidance at the time.

James Goudie, the Council’s KC, is of the opinion that the Council **did possess** the necessary powers and **could rely** on the general power of competence conferred by the Localism Act 2011 as it was not trading or acting for a commercial purpose but was investing. **That does not entail the use of a company.**

The Auditors took issue with the 2017/18 purchases being outside of the borough stating that section 120 LGA 1972 could not be relied upon as the acquisitions were not directly “for the purposes of any of the local authority’s functions, any enactment, or for the benefit, improvement or development of their area”.

However that is not agreed by James Goudie, the Council’s KC, as he advises “there can be no greater benefit for an authority and its residents than an improvement in its general financial position and ability to fund services, at any rate if there is an identified and reasonably well-defined outcome in terms of benefit”.

In essence the authority’s KC strongly maintains his previous advice and is unpersuaded by the Auditors’ legal findings. Taking into account that the Council’s KC is one of UK’s top legal advisors in the arena of local government law, the Council I believe acted absolutely reasonably in accepting his advice as an accurate interpretation of the law, which has not been tested in any court, so far.

As the Council has accepted the Auditors’ recommendations it is now imperative for the Committee to consider that an Action Plan is put in place to set out how the Council seeks to comply with the Recommendations of the Auditor and move forward. Thank you. Thank you, Madam Chair.”

Statement from the Chief Finance Officer:
“Thank you Madam Chair, the Public Interest Report set out KPMG’s conclusions to their Value for Money opinion for 2017/18 and made 5 recommendations which the Council accepted at its Extraordinary Council Meeting on the 8th December 2022, as we have always been either applying the best practice suggested, or due to the time which has elapsed since KPMG published their report we have had in place for some while. Whilst we appreciate that external auditors have to be rightly careful to ensure that their work satisfies the Financial Reporting Council and that does slow down the audit process, it is very frustrating that KPMG have taken so long to reach their conclusions. In the last four and half years since the VFM Opinion was originally due the Council has ceased to acquire investment assets and its portfolio has weathered remarkably well the most extreme economic stress test in more than 300 years as a result of the economic impacts of the

Pandemic. Having said that we are of course always open to looking at how we improve the way we do things. So we will review the points made relating to recommendations, particularly recommendations 4 and 5 of the Auditors' Report. As Madam Chair has already commented, Coralie Holman, the new Group Head for Assets, only started in that role last week and we are suggesting that we allow time for her to bring a fresh perspective to reviewing our approach and that officers bring back a fully worked up Action Plan to the July Audit Committee.

Within the portfolio we do have some challenges with some churn of tenants but that is why we have been building up our sinking funds reserves balances by setting aside each year part of the income from the rental income, to ensure we have a safety net to cover dips in rental income. This enables us to manage those challenges without impacting on the Revenue Budget of the Council. As a result of a decision made by Corporate Policy and Resources Committee on Tuesday this week to approve a heads of terms for a new tenant we should be returning by June to having a floor area void across the Investment Assets Portfolio of less than 10%.

By the end of 2022/23 we anticipate that we will have approximately £36m in the sinking funds reserves. It is due to our sinking funds reserves that we have the highest ratio of revenue reserves to net revenue budget of any district or borough council in the country. This is on the basis of independent benchmarking by LG Improve. The Auditors' report does not make a single reference acknowledging our sinking funds approach as a key part of our risk mitigation strategy – an approach not all councils with investment assets have in place. The Auditors equally fail to acknowledge our prudent approach to Minimum Revenue Provision under which we are paying down our debt on an annual basis like a mortgage, again, in contrast to some councils. We have committed to do a full review this year over a 50-year time horizon of our sinking funds' portfolio, and this will be part of the Action Plan. Indeed, earlier today, myself and the Chief Accountant had a very constructive discussion with Coralie Holman, the new Group Head, in terms of how we will in practice take this forward.

As was stated at the Extraordinary Council Meeting on 8th December it is important that we move forwards to ensure that on an ongoing basis we meet the recommendations and that we undertake pulling together an Action Plan to address any improvement opportunities such as refining our Key Performance Indicators and, again, this is an issue we are already discussing with the new Group Head for Assets.

Dealing with the three recommendations with financial aspect:

Recommendation 3 - The Council should ensure that it has regard to all relevant statutory guidance, including specific aspects of that guidance that apply to particular decisions or transactions, and specifically record its reasons for departing from such guidance if it decides to do so.

We have agreed the recommendation. The Council has always had regard to all relevant statutory guidance seeking relevant expert advice and will continue to do so. It will in future more clearly record reasons for departure, not that we are anticipating any departures from statutory guidance. Note that moving forward the Council's Capital Programme and Capital Strategy are focused on ensuring that all capital spend is consistent with the revised terms of the Public Works Loan Board and the CIPFA Prudential and Treasury Management Codes. We run our Treasury Management and Investment Strategy reports past our professional advisers to ensure that they appropriately reference and comply with all statutory guidance. We will seek early discussions with our auditors if we have concerns about issues of interpretation with regard to accounting or statutory guidance, and a recent example of this being discussions officers had recently around risks of abortive capitalised costs. We will also be receptive to engaging with other sources of advice such as CIPFA, the LGA or DLUHC to seek external opinions and advice.

Recommendation 4: The Council should develop its investment property portfolio modelling to bring these in line with the expected practice of an institutional investor. This should include robust stress testing and sensitivity analysis which incorporates scenarios that cover the highest level of risk for expenditure, revenue, tenant behaviour and external socio-economic factors. Consideration should also be given to the diversification of the portfolio and whether this should be addressed over the medium to longer term.

Again, the Council agreed the recommendation. The Council since the commencement of the Covid-19 Pandemic in March 2020, and the national lockdown three years ago, has been refreshing and reviewing on a regular basis scenario modelling on a worst case and expected case basis to assess the adequacy of its sinking funds reserves.

The Council sought to invest within the Borough and close to the Borough within the Heathrow Functional Economic Area which it understands well, and which drives the prosperity of the Borough. This was the rationale for the geographic concentration of the portfolio. Whilst the Council is managing a small number of investment assets it does have a considerable number of tenants who are operating across a wide range of economic sectors and this is monitored in the regular investment reports. There is in this respect considerable diversification by tenant sector.

The Council is already undertaking a review of its Sinking Fund Strategy over the next 50 years and looking to bring in external advice to review assumptions about future income levels, rental activity and to make recommendations around levels of sinking funds contribution to reserves to ensure that we have a sufficient level of reserves to cover any dips in income and to cover all financing and management costs. The modelling will include stress testing, we will ensure parameters and assumptions tested are clear and transparent. And, again, the Chief Accountant and I have been having some very constructive discussions with the Group Head for Assets who had some very useful ideas in terms of how we can move forward with some aspects of this particular recommendation.

Recommendation 5: The Council should develop an action plan as part of the management of its investment portfolio which addresses each of the weaknesses identified in paragraph 6.9 of the PIR report. This should be linked to a portfolio risk register, which monitors each of the KPIs, tenant performance and risk to the debt repayment strategy for each investment property asset.

Whilst we believe we undertake actions which address the risks set out in 6.9 of the report, we will, linked to the sinking funds reserves review, undertake an action plan to identify the scope for any improvements which address the points made in the report. Relevant points to notes with respect to the issues in 6.9 are as follows:

- The investment assets portfolio is constrained geographically by a desire to be focused within our local Heathrow Functional Economic Area (an area which the Council has a good understanding of, and which helps drives the economic prosperity of the Borough), however the tenants by sector are relatively diversified.
- The sinking fund review strategy will look at 50-year time horizon, including a) short term 5-year perspective, b) medium term 5 to 30 years perspective and c) 30 years plus perspective. Since 2019 the Council has diversified its overall portfolio by its regeneration acquisitions, with regular reporting against KPIs of the overall portfolio and of individual tenants, along with maintaining five yearly business plans plus five yearly refreshing of the sinking fund reserves modelling.
- We already undertake regular worst case and expected case sensitivity analysis on a rolling 10 year basis.
- The Assets team has increased significantly in size since 2017/18 with the addition of a number of skilled assets professionals with private sector experience of managing portfolios of office and retail assets. A testament to the skills of the team and their proactive approach to managing the portfolio and engaging with tenants are the investment asset rental collection percentages of 100% and 99.98% for rental invoiced for the years 2020/21 and 2021/22. We have not quite finished the current year so we do not yet have a figure for 2022/23. We have just welcomed a new very experienced Group Head for Assets to the team.
- The sinking funds reserves balances have continued to be built up (anticipated to be £36m at end of 2022/23) in order to mitigate against repayment risk. However we do highlight, as was reported annually in the budget report to Council in February, that in line for the purpose for which we set aside the sinking fund reserves there will be some anticipated draw down of those sinking fund reserves over the next two financial years. Thank you very much."

Members noted that all of the recommendations in the PIR had been accepted by the Council.

Clarification was sought as to the reason for the delay in issuing the PIR Report. The Monitoring Officer confirmed that a by-election was a legal reason for the delay in issuing the report. The Committee noted that the Council had received legal advice in relation to its purchases.

The action plan would be put on the forward plan for the Development Sub Committee as well as the Audit Committee and would be used to drive improved risk management. It would focus on all of the recommendations with particular emphasis on Recommendation 5.

The Committee **resolved**

1. to note and agree the Public Interest Report Recommendations Follow up, and
2. to agree that a PIR Action Plan be brought before the July meeting of the Audit Committee and therefore be added to the Committee's Forward Plan.

6/23 Report on DLUHC's Review of Councils with High Debt Levels

A question was received from a member of the public in relation to this agenda item.

Question from Ms Kath Sanders:
"Please could the report to the committee lay out the terms of reference for the DLUHC's capital review of Spelthorne Borough Council's position and when does the Council expect to receive any interim and final report?"

Response from the Chair:
"Spelthorne Borough Council like other authorities are being externally and independently reviewed by DLUHC. We are therefore not privy to the terms of reference or have any expectations to receive the final report within any given period as we are not the commissioning authority."

The Chief Finance Officer gave a verbal update on the Department for Levelling Up, Housing and Communities' (DLUHC) Review of Councils with High Debt Levels. The Chartered Institute of Public Finance and Accountancy (CIPFA) was conducting the review on behalf of DLUHC. The Council hoped to have a draft report by the time of the next Committee meeting.

The Committee **resolved**

1. to receive and note the verbal update on DLUHC's Review of Councils with High Debt Levels, and
2. to place the DLUHC Review on the Forward Plan for the Committee's meeting in July.

7/23 Corporate Risk Management

As part of Risk Category 7 “Corporate Capacity, Resources, Recruitment and Retention” members discussed the impact of the Council’s hybrid working policy, focussing particularly on the risks involved. The Group Head Commissioning and Transformation presented a report on hybrid working which set out many of its benefits and associated challenges (risks). She stressed that the mixture of office and remote working was always in line with business need and that most staff were expected to work in the office two days a week. Those who wanted to work in the office full time were able to do so. Working from home had become the norm during the Covid-19 pandemic, particularly for public sector workers. This had become an expected benefit for staff and assisted with recruitment. From an environmental perspective, working from home reduced the Council’s carbon footprint. Members noted that public facing services were still provided to residents by office-based staff and that not all employees had the option of working from home.

Members gave their own examples and experiences of hybrid working, some good, others less so.

The efficiency and effectiveness of hybrid working was due to be considered as part of the forthcoming Corporate Establishment Review requested by the Corporate Policy and Resources Committee.

The Committee agreed that Risk Category 7 of the Corporate Risk Register be widened to incorporate hybrid and flexible working.

The Committee took a break between 9.30pm and 9.43pm.

It was proposed by Councillor I Harvey and seconded by Councillor Bateson that standing orders be suspended in order to continue the meeting until 10.30pm. This was agreed by the Committee.

The Internal Audit Manager presented a report on Corporate Risk Management. This included an updated Corporate Risk Register (CRR), with red-amber-green (RAG) colour coding at the top of each risk category and blue highlighting within the report to show the risks which were significantly impacted by wider externalities, and a colour coded Risk Action Plan. Risks had been assessed taking into account current controls and mitigations, in line with good practice.

The Internal Audit Manager highlighted external risk areas over which the Council had limited scope for risk mitigation; these included the current economic crisis and macroeconomic environment, such as inflationary pressures, increased rates of borrowing, and the continued cost-of-living crisis. She noted an indicative risk score moving in a favourable direction if all risk actions in the Risk Action Plan were completed. Continued visibility and recognition of all strategic risks in the Corporate Risk Register was important.

The Internal Audit Manager introduced three new actions in the Risk Action Plan; developing a long term relationship management in relation to existing tenants, any forthcoming recommendations from CIPFA and DLUHC reports in relation to capital risk mitigation, and the medium-term financial strategy and efficiency savings plan for addressing the budget deficit.

The Committee had an initial discussion of risk management software and whether it should be used by the Internal Audit team to support presentation of the Corporate Risk Register which has continued to evolve . The possibility of using an in-house system was mooted. The Independent Member recommended seeking advice from other local authorities who already used such systems. The importance of risk ownership was also discussed as it is important that risk management processes and reporting continue to embed this principle.

The Committee **resolved**

1. to note the significant strategic risks and issues highlighted in the report, subject to the changes discussed, and
2. to recommend that the Corporate Risk Register and Risk Action Plan be presented to the Corporate Policy and Resources Committee, and
3. to note the discussion in relation to hybrid working and to add hybrid and flexible working to risk category 7 of the Corporate Risk Register.

8/23 The Council's Risk Exposure to Wider Externalities and Impact

The Internal Audit Manager presented a report to the Committee on the impact of wider externalities to the Council, its operations, and local communities as well as a wider externalities and impact risk assessment.

The Internal Audit Manager drew attention to the two major externalities presenting significant impact; the macro-economic environment (which was referred to earlier in the meeting) and the current geo-political uncertainty (war in Ukraine). These wider externalities had a particular impact on three broad risk categories: economic activity and prosperity, the Council’s financial position in relation to sustainability and resilience, and housing and communities. The refreshed risk assessment noted no movement from the previous review in November 2022 and no changes to report in terms of RAG ratings or positioning of risks on the risk matrix.

The context for the report was interest rates increases, little or no growth in the economy, rising unemployment, long term uncertainty regarding the macro-economic environment, with the cost-of-living crisis continuing to present increased demand on Council services. Members noted local control measures and mitigating actions to alleviate pressures and further actions are set out in the last column of the risk matrix.

The Committee discussed reducing the overlap between this report and the Corporate Risk Management Report. The Committee agreed to combine the two reports and to restructure some of the reporting in the Corporate Risk Register.

The Committee **resolved**

1. to note the report, and
2. to note the close linkages and common themes between this report and the Corporate Risk Management Report referred to earlier in the meeting, and
3. to agree to combine this report and the corporate risk register, and
4. to update the forward plan to reflect the changes agreed.

9/23 Internal Audit Annual Plan 2023/24

The Internal Audit Manager outlined the proposed Internal Audit Plan for 2023/24 which demonstrated how the Council would fulfil its statutory and professional requirements and provide independent assurance to the Council on the adequacy of internal control, governance, and risk management arrangements.

The Plan included several higher risk areas that aligned with the council's corporate priorities and objectives, and these had been prioritised "A" or "B" according to risk. The wider externalities referred to earlier in the meeting would cut across the workstreams in the Internal Audit Plan. Members noted the summary of work and that it included reactive and unforeseen work.

Members noted the likely Internal Audit interaction with the incoming external auditors and that it was intended to commission external resource for some audits on the internal audit work programme. Funding for these would come from the audit contractor budget.

The Committee **resolved** to note and approve the Internal Audit Plan for 2023/24.

10/23 Counter Fraud, Bribery & Corruption Strategy

The Internal Audit Manager presented a report on the Council's Counter Fraud, Bribery and Corruption Strategy and outlined proposed changes to the Strategy so that it remained relevant and current. The Strategy was last reviewed by the Audit Committee in July 2021. A tracked changed document and a final version of the Strategy were attached to the report which set out the reasons for the proposed changes.

The Committee noted that during economically challenging times fraud and corruption occurrences were perceived to be on the increase. An open and honest culture, adequate preventive measures, collaborative arrangements and practices, systems for detection and investigation and an understanding and awareness of fraud, bribery and corruption, and whistleblowing procedures were all key elements of the Council's strategy to prevent, detect and manage fraud.

The Strategy formed part of the Council's constitution, was in line with best practice, and underpinned the Council's commitment to dealing effectively with all forms of bribery, fraud, and corruption. The Committee was required to review the Counter Fraud Bribery and Corruption Strategy annually and make any recommendations for change to the Corporate Policy and Resources Committee. Counter fraud measures, in particular, had been increased and these were set out in the revised Strategy.

The Committee **resolved**

1. to endorse the Council's Counter Fraud, Bribery and Corruption Strategy, and
2. to approve the recommended changes to the Strategy and to submit these to the Corporate Policy and Resources Committee.

11/23 Introduction of New Audit Assurance Opinions

This item was deferred until the next meeting.

12/23 Committee Forward Plan

The Committee considered its forward plan for the forthcoming municipal year.

The Committee **resolved** to approve the forward plan for the forthcoming municipal year, with the addition of the following items:

- A Public Interest Report Action Plan
- DLUHC Draft Report
- To incorporate the Council's risk exposure to wider externalities and impact report into the Corporate Risk Register
- Spelthorne Direct Services (SDS) and Knowle Green Estates (KGE) Accounts for March 2022 and March 2023.

This page is intentionally left blank

Audit Committee

23rd March 2023

Title	Refreshed Internal Audit Assurance Opinions
Purpose of the report	To note
Report Author	Internal Audit Manager, Punita Talwar
Ward(s) Affected	All Wards
Exempt	No
Exemption Reason	Not Applicable
Corporate Priority	All Corporate Priorities Community Affordable housing Recovery Environment Service delivery
Recommendations	**Committee is asked to:** Note and endorse the refreshed assurance opinions which have been adopted from 2023.
Reason for Recommendation	Continuous Improvement for Internal Audit in considering recommended best practice from professional institutes such as Chartered Institute of Public Finance and Accountancy (CIPFA). These opinions support conclusions on assurance work undertaken by the Internal Audit Service, in the provision of independent assurance to the Audit Committee and Corporate management team. Assurance opinions granted on individual assignments will feed into the Internal Audit Manager's overall annual audit opinion on the adequacy of the authority's internal control environment, governance, and risk management arrangements. This subsequently forms part of the Annual Governance Statement.

1. Summary of the report

1.1 The professional practice of Internal Audit within the public sector is governed by the mandatory Public Sector Internal Audit Standards (PSIAS). Whilst these refer to the requirement for an engagement opinion at the end of each audit assignment, they do not stipulate a specific model or terminology to apply. It is acknowledged that there are some variations across the public sector in terms of assurance opinions used.

1.2 This report seeks to inform the Audit Committee of a change to the assurance opinion terminology adopted by Spelthorne's Internal Audit Service, in line with recommended best practice from CIPFA. Assurance opinions issued by Internal Audit support overall conclusions on assurance work undertaken and indicate the level of assurance that can be provided to the Audit Committee and Management Team in any given area (based on the assessment and professional judgement of Internal Audit).

1.3 Assurance opinions for individual assignments feed into higher level assurance reporting i.e., the Internal Audit Manager's annual audit opinion on the adequacy of the authority's internal control environment, governance, and risk management arrangements. The Internal Audit Manager will also take into account wider areas of insight in forming her overall opinion and this will be referred to in more detail in the annual audit report for 2022/23 (backward looking) scheduled for the July meeting of the Audit Committee. The annual audit opinion subsequently forms part of the Annual Governance Statement (a key assurance statement for the Council).

2. Key issues

2.1 As part of Continuous Improvement, the Internal Audit Manager has introduced refreshed assurance opinions when concluding planned internal audit assignments. This refreshed model has started to take effect recently and is set out below. Each opinion level/rating (of which there are four) incorporates 'assurance' terminology along with a related description articulating what a particular assurance level represents in terms of governance, risk management and internal control in the achievement of objectives.

Assurance Opinion – Definition (Refreshed Model)

Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

2.2 Whilst there are no mandatory requirements for Internal Audit Services regarding the range of assurance opinion levels applied or related descriptions articulating what a particular assurance level represents, it is considered appropriate and timely to implement CIPFA'S model of good practice which promotes the use of four levels. The terminology presented is simple and straightforward in communicating overall conclusions and engaging with stakeholders (Audit Committee, Corporate Management Team, Senior Management, External Audit). Notably there are some variations around opinions that are in use across the public sector. CIPFA's recommended approach/model was launched with a view to encouraging greater standardization and consistency over time across local government and the public sector. Furthermore, it is envisaged that the new descriptions will help to reinforce at the Council the level of objective assurance provision regarding systems of internal control, risk management and governance deemed to be appropriate for any given auditable engagement, based on professional audit opinion. We have already received positive feedback from Management Team and the Group Head of Corporate Governance in refreshing our approach, as well as the Chair and Vice Chair of the Audit Committee.

2.3 Previous assurance opinions and related descriptions had become in need of review to refocus the attention around 'assurance provision' as reinforced in every rating level. For completeness we also highlight the four opinion levels and related descriptions applied previously under the former model so that Audit Committee can appreciate the revisions made and being adopted. These are set out below:

Assurance Opinion – Definition (Prior model)

Effective	Controls evaluated are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.
Some Improvement Needed	A few specific control weaknesses were noted; generally, however, controls evaluated are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.
Major Improvement Needed	Numerous specific control weaknesses were noted. Controls evaluated are unlikely to provide reasonable assurance that risks are being managed and objectives should be met.
Unsatisfactory	Controls evaluated are not adequate, appropriate, or effective to provide reasonable assurance that risks are being managed and objectives should be met.

2.4 The revised assurance opinion terminology set out at paragraph 2.1 has taken effect as it was considered timely to coincide with the start of the current calendar year. It is being used in internal audit reports from January 2023 and is proposed to also be used in the annual audit opinion as it seems logical to do so, making some minor revisions at that time to reflect the fact that the assurance opinion will relate to the organisation as a whole rather than an individual auditable area. The annual audit opinion will form part of the annual audit report and annual governance statement for 2022/23. This ensures consistent approaches are applied in line with best practice from professional audit and accountancy bodies.

3. Options analysis and proposal

3.1 Option 1. (Preferred) For the Audit Committee to note and endorse the refreshed assurance opinions set out in this report, in line with recommended professional best practice from the Chartered Institute of Public Finance and Accountancy (CIPFA). This supports continuous improvement. Or:

Option 2: To apply former or alternative assurance opinions which whilst deemed acceptable (as there is no mandatory requirement to use certain terminology), does not keep in line with recommended best practice.

4. Financial implications

4.1 There are none.

5. Risk considerations

5.1 Risk: Lack of buy-in to the refreshed model. Mitigation: The Internal Audit Manager has communicated the changes to the assurance opinion levels and related descriptions, with rationale in seeking to ensure continued buy-in around the change from senior management, Management Team and the Audit Committee.

5.2 Risk: Lack of clarity around assurance provision under the new model. Mitigation: The new model arguably provides greater clarity around levels of assurance provision granted for any auditable area based on professional judgement of Internal Audit. It is also supported with four colour ratings to enhance visual presentation, ranging from green to red, with green representing the most favourable assurance opinion (substantial assurance) whilst red represents the most adverse opinion (no assurance).

6. Procurement considerations

6.1 There are none.

7. Legal considerations

7.1 The Public Sector Internal Audit Standards (PSIAS) are mandatory further to the Accounts and Audit (England) Regulations 2011.

7.2 Whilst the refreshed assurance opinion model is not a mandatory requirement it does reflect best practice from the Chartered Institute of Public Finance and Accountancy (CIPFA).

8. Other considerations

8.1 The refreshed assurance opinion model was introduced from January 2023. Internal audit reporting coincides with the financial year rather than the calendar year. The annual audit report for 2022/23 (due to be reported to Audit Committee in July 2023) is therefore envisaged to include both prior and current model assurance opinions issued when concluding internal audit assignments for 2022/23. For purposes of consistency, we will also include the equivalent opinion under the new model. For example, where an audit assignment was granted a ‘Some Improvement Needed’ rating under the prior model this will be referred to as ‘Reasonable Assurance’, whilst a ‘Major Improvement Needed’ rating under the prior model will be referred to as ‘Limited Assurance’.

9. Equality and Diversity

9.1 Any future audit assignments on Equality, Diversity and Inclusivity will include an assurance opinion to support audit conclusions drawn.

10. Sustainability/Climate Change Implications

10.1 The forthcoming audit plan for 2023/24 includes an audit assignment on Sustainability and Climate Change, for which an assurance opinion will be provided to support audit conclusions drawn.

11. Timetable for implementation

11.1 The revised assurance opinion levels and corresponding descriptions/definitions has taken effect as it was considered timely to coincide with the current calendar year. The model is being used in internal audit reports from January 2023 and is proposed to be used in the annual audit opinion for 2022/23 for consistency.

12. Contact

12.1 **Punita Talwar, Internal Audit Manager P.Talwar@spelthorne.gov.uk 01784 446454**

Background papers: CIPFA Professional insight.

Appendices: There are none.

This page is intentionally left blank

Audit Committee

27th July 2023

Title	Corporate Risk Register (Corporate Risk Management)
Purpose of the report	To note
Report Author	Punita Talwar, Internal Audit Manager
Ward(s) Affected	All Wards
Exempt	No
Exemption Reason	N/A
Corporate Priority	The Corporate Risk Register outlines significant strategic risks impacting the effective delivery of all corporate priorities (CARES). Community Affordable housing Recovery Environment Service delivery
Recommendations	**The Audit Committee is asked to:** **1.Consider the significant strategic risks and issues highlighted in this report and present these to the Corporate Policy and Resources Committee, ensuring continued wider reporting of the Corporate Risk Register and Risk Action Plan across other Committees.**
Reason for Recommendation	**The Corporate Risk Register continues to ensure that the Council's most significant risks in relation to achievement of corporate priorities and objectives are identified, managed, monitored, and reported.** **Continued visibility and ownership of the risks and issues raised in this report 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.**

1. Summary of the report

1.1 This report seeks to highlight significant strategic risks in delivering the Council priorities (CARES) and objectives, current actions to manage risks (these are defined as current control actions and current mitigating actions) as well as any further mitigation measures underway set out in the separate Risk Action Plan.

1.2 The Corporate Risk Management Officer Group (officer led) meets three to four times a year, chaired by the Deputy Chief Executive (Chief Finance Officer). This forum provides an opportunity for officers to consider the risk register and identify any further corporate risks emerging or evolving. In addition, Management Team and Group Heads have an opportunity to input on emerging risk areas as part of the periodical register review/reporting process.

1.3 As part of ongoing development work, the format and presentation of the Corporate Risk Register continues to be explored. This was reported previously in March and generated some discussion at Audit Committee and CPRC. An update is provided under the Key Issues section of this report.

2. Key issues

2.1 Risks continue to be assessed as before taking account of current controls and current mitigations in place as this approach reflects the Council's risk management policy requirements and good practice.

2.2 The corporate management team and lead Committee hold collective ownership and accountability for ensuring these strategic corporate risks are effectively managed, and designated lead officers are also recorded.

2.3 The revised corporate risk register is set out at Appendix A and the Risk Action Plan at Appendix B. The direction of travel is highlighted against each broad risk category at Appendix A regarding any movement of either the RAG rating, risk score or indicative risk score since the previous review of March 2023. From assessment undertaken there are no changes to report in terms of direction of travel as part of the June review. Risk owners should ultimately be comfortable with the proposed positioning/ranking of the risks in the matrix on page 1 of Appendix A (subject to discussion with Management Team as necessary).

2.4 Several risks on the corporate risk register across a range of risk categories continue to be significantly influenced by wider external factors, due to the economic crisis and macroeconomic environment (elevated inflationary pressures, increased rates of borrowing, continued Cost-of-Living strain) as well as the ongoing geopolitical uncertainty with the Ukraine war. Those risks and their implications are highlighted in blue to distinguish areas where risk mitigation measures may be limited in terms of actual outcomes due to externalities beyond the control of the council. Given all of this, it is important to recognise there are no simple fixes or solutions to many of the complex risks identified on the Council's Corporate Risk Register and local measures continue to be taken to alleviate some of these challenges and pressures which remain ongoing.

2.5 The risk action plan attached at Appendix B highlights completed actions (green section), as well as 'work in progress' (white section), 'continuous actions' (blue section) and four new actions (pink) across three risk categories as follows:

Risk Category 1a Housing – Development Targets - application process for KGE to become a registered social housing provider (NEW ACTION)

Risk Category 1b Housing – Affordable – Acquisition of properties as part of the Local Authority Housing Fund (LAHF) to support refugees (NEW ACTION)

Risk Category 3 - Financial Resilience and Commercial Assets – full refresh of sinking fund modelling during 2023/24 and development of a Public Interest Report (PIR) Action Plan for approval by the Audit Committee in July. (NEW ACTIONS x 2)

2.6 Given that the register at Appendix A provides insight around envisaged risks and current controls/mitigations in manging these risks, for the purposes of this cover report the more pivotal matters or updates are being drawn to your attention at 2.6 (a) to (e):

(a) **Wider Externalities, Financial risk and supporting communities.**

Wider externalities and other factors continue to present increased financial risk to the Council considering the significance of increased borrowing costs and inflationary pressures in delivering a range of strategies and schemes (which may lead to a detrimental impact on the communities served if delivery of corporate priorities is impacted). The extent to which such variables - interest rates and construction inflation may eventually fall remains uncertain, potentially presenting new options for slowing down development scheme delivery and construction in seeking the optimal financial outcome for the Council.

The Council's budgetary and financial position continues to be monitored with anticipated budget deficits from 2024/25 to 2026/27 to be addressed. The Council is participating in a wider CIPFA and DLUHC review of Capital risk mitigation. If the Council's future access to borrowing becomes restricted, this will affect the Council's long-term approach and therefore its financial resilience in responding to uncertainty or unexpected situations/scenarios. Finance and Assets are already considering alternative approaches as to how schemes could be delivered with reduced borrowing.

Financial risk remains a strategic theme carrying high impact across several categories on the register. (***Links with 1A & B Housing – Development and Targets/Affordable Housing, 2 – Economic Prosperity, 3 – Financial resilience and Commercial Assets, 4 - Financial resilience and Supporting Communities, 5 – Treasury Management)***

The Council's financial challenges are exacerbated by the ongoing financial strain facing residents and communities during a continued Cost of Living Crisis, with a duty to support local and refugee communities from Ukraine and Afghanistan during competing crises. The risk register refers to government grant funding schemes in seeking to alleviate community pressures as well as general advisory services such as the Citizens Advice. Further to the decision by Central Government to close Afghan Bridging hotels by the end of August 2023, supporting asylum seekers presenting as homeless from this hotel and other dispersed accommodation across the borough is an emerging and evolving risk area for Spelthorne that requires planned management in the context of financial pressures and limited government funding.

(b) **Risk category 1A Housing – Development and targets**.

The risk implications and associated adverse ramifications arising from the pausing of the Local Plan examination hearings and adoption of the Local Plan are highly significant which have already been set out in a separate report to an Extraordinary Council Meeting (ECM) on 6 June 2023, where Members agreed "Spelthorne Borough Council formally request the Planning Inspector to pause the Examination Hearings into the Local Plan for a period of three months to allow time for the new council to understand and review the policies and implications of the Local Plan, and after the three month pause the Council will decide what actions may be necessary before the Local Plan examination may proceed". In summary, this includes the prospect of additional pressure on our Local Plan to meet the housing need of other boroughs (in particular those neighboring authorities who have not built on greenbelt), uncertainty around housing delivery (5-year supply) and delivering targets to meet need (affordable and general housing provision), legal challenge, the prospect of unsuitable development coming forward either on green belt sites or within town centres such as Staines, further exposing the Council to greater risk of supporting such developments in the absence of a sound or up to date Local Plan to rely on. Any delay to adopting the Local Plan does not assist in progressing a wide spread of units for differing needs which adversely impacts quality of affordable housing provision – note risk category 1B Housing – Affordable.

Taking this update into account, the indicative RAG status and risk score are not currently assessed as moving in a more favorable direction over time against risk category 1A. The RAG status remains at Red.

Knowle Green Estates (KGE's) application to become a Registered Provider (RP) will place the authority in a better position to secure grant funding from Homes England to support progression of affordable and keyworker schemes. There are however stringent external scrutiny reviews and verification measures involved prior to securing approval of Registered status. The process of acquiring RP status is expected to take 12 to 18 months.

(c) **Risk Category 1b – Affordable housing**

As a result of the national Government decision to give residents in Afghan Bridging hotels three months notice to quit, potentially a large proportion of the families in the Staines Bridging hotel may present to the Council as homeless. There are 27 families who live in the hotel, all of whom have been served eviction notices to vacate the premises by mid-August. The Council is actively using the Local Authority Housing Fund capital grant funding to acquire properties to enable it to house a significant proportion of these families. A risk does however remain that even if all 15 target properties were to be purchased, presentation of homelessness may still occur over time which Spelthorne have a duty to manage as the Local Housing authority. It is acknowledged that there will be a gap period (before purchase completion) during which time the Council will be required to provide temporary accommodation to homeless households. Whilst there is Government funding for temporary placements, the borough lacks sufficient temporary accommodation available for the placements and this could be exacerbated if central government decide to place further refugee families into the vacant hotel (s). As a result, the Council is at risk of placing households in properties which are not in the borough and/or unsuitable in other ways. Not only is this disruptive for the households themselves, but the Council potentially faces legal challenge and complaints to the Ombudsman.

(d) **Risk category 3 – Financial Resilience – Commercial Assets**

The Council's ongoing management of voids remains pivotal in the context of departed tenancies. Currently 87.1% of the overall Investment Portfolio is let, albeit this is expected to rise back to 91% in the summer of 2023 once a significant new tenant takes occupancy. The Council is continuing to increase its sinking funds as part of risk mitigation strategies, reported as approximately £37.8m at the end of 2022-23.

The Group Head of Assets is developing an overarching five-year Asset Management Strategy for approval by Corporate Policy and Resources Committee (CPRC) in Autumn 2023**,** intended to provide a holistic approach covering each strand of the Assets service and how they dovetail in delivering overall corporate priorities, service objectives and outcomes. Of course, a significant component of this overarching strategy will be focussed on Commercial assets and related tenancy management and rental income collection with a view to establishing where these processes can be made more robust in managing risk. The register provides further detail on the new approach.

The two new actions for this risk category on the Risk Action Plan at Appendix B reinforce measures that have already been highlighted in prior reporting to the Audit Committee and CPRC i.e., fully refresh sinking fund modelling during 2023/24 and development of an action plan in response to the Public Interest Report recommendations of December 2022 for approval by the Audit Committee in July 2023. It is acknowledged that the Public Interest Report Action Plan being put in place includes developing Key Performance Indicator's (KPIs), agreeing an investment portfolio risk register, and developing benchmarking exercises with linkages to Sinking Fund management. These fully completed actions will further support additional risk mitigation measures in continuing to strengthen financial and wider governance in manging the Council's commercial investment portfolio.

Taking this update into account, the RAG status and risk score for this category continues to be assessed as Amber.

(e) **Risk category 7 - Corporate Capacity, Resources, Recruitment and Retention**

The interrelated risks and issues in this category have been highlighted extensively as part of previous reviews. The Corporate Establishment Review is underway and due to be finalised in July 2023. Future reporting to CPRC by the Service lead and Head of Paid Service will highlight any learning or improvement actions arising for the authority.

Further to extensive discussions at the March Audit Committee the content has been expanded for this broad risk category by introducing a new risk description relating to hybrid working, given this represents an important change initiative in the Council's service model. It has already been acknowledged that this is in line with modern working practices post-pandemic across local government and many sectors of the economy. The risk description sets out some of the perceived risk implications as well as wider opportunities and benefits that hybrid and flexible working patterns present. A range of internal control actions have been included to demonstrate how any perceived risks are being managed, including corporate performance management systems and mechanisms for ensuring working relations are positively maintained under a Hybrid pattern. Regardless of where services are delivered from (remote vs office), there is a valid argument that the focus should be on the efficiency and effectiveness of outputs and outcomes in delivering Council services and priorities, ensuring these are provided in a way that supports Council values.

2.7 With regards exploring a risk management system for the authority it has been established that there is not necessarily a common system in use across local authorities for presenting risk management information, although there are clearly many risk management software products on the market. These software products promote common principles and deliverables such as :

- A system to support the management and prioritisation of risk

- Stakeholder engagement and ownership of risk

-Eliminates the use of spreadsheets and word documents that may become cumbersome to maintain

-Enables a more automated and cohesive system with automated workflows and reminder prompts

- Improved visibility regarding updates made

-Reporting functionality including summary dashboards

The Internal Audit Manager is pursuing with ICT the conversion of data contained in the Corporate Risk Register to a formal central system with a view to this facilitating the recording, collation, analysis and reporting of information and building upon the strong foundations developed over the years by reinforcing some core principles and improvements set out above. In particular, risk ownership as a fundamental principle of effective risk management. This will be supported through a combination of systems and software already in use by the Council such as Granicus (forms), SharePoint, SQL and Power Bi. Subject to progress in building the form and database, a high-level process flow and mock up for the new system may be presented to the July Audit Committee meeting. The anticipated build time for this system (phase 1) is around 4 to 6 months with an anticipated completion date based on current capacity levels of 30th November 2023. Once phase 1 is completed we will review whether any further refinement work is required taking on board user feedback.

.

3. Options analysis and proposal

3.1 The revised register at Appendix A is an accurate reflection of the high-level significant risks affecting the Authority, based on consultation with Managers and assessment of risk and controls in operation.

3.2 Option 1 - To consider the contents of the Corporate Risk Register including any new or expanded risk categories, residual risks highlighted, current control actions, current mitigating actions and further mitigating actions set out in the Risk Action Plan for perusal. To take necessary actions going forward in response to the significant issues raised in this report and as detailed in the register. The risk action plan at Appendix B outlines the progress made on actions previously proposed and includes new actions which should be addressed as they impact effective delivery of corporate priorities and objectives, (preferred option); or

3.3 Option 2 - To recommend amendments to the Corporate Risk Register for consideration by the Corporate Risk Management Group.

4. Financial implications

4.1 As previously reported, there are major financial implications arising from several corporate risk categories on the register (1a, 1b, 2, 3, 4 and 5), with some of these discussed under section 2.5 above. Whilst many of the current financial and organisational challenges are influenced by wider externalities, given the ongoing major inflationary pressures, increased cost of borrowing and continued impact of the Cost-of-Living Crisis strain, some of the local and collaborative measures being explored and taken forward to alleviate risks by the Council are highlighted under para 2.6.

5. Risk considerations

5.1 The Council's corporate and strategic risks impacting the achievement of corporate priorities, represent the most significant risks facing the authority. At Appendix A the broad strategic risk categories, specific risk considerations and implications are identified and articulated, as well as the current controls and current mitigation measures in place to manage these risks. Current controls are those actions intended to reduce the likelihood of occurrence of the risk event, whilst current mitigations are those actions intended to reduce the impact of a risk event should it occur. Taken together, current controls and current mitigating actions represent ways of managing risk. A risk action plan is set out at Appendix B, ensuring a mechanism to capture risk related SMART actions and assign a lead officer with target dates to monitor their progress in further alleviating the identified risks. However, to reiterate commentary under para 2.4 above, there are no simple fixes or solutions to many of the complex risks identified on the Council's Corporate Risk Register.

6. Procurement considerations

6.1 Any procurement considerations relating to the risk categories on the register should be identified by the respective Risk Owners and lead officers and are likely to form part of separate reporting/communications.

7. Legal considerations

7.1 Some corporate risks facing the Council as identified on the register are driven or influenced by statutory requirements. For example, risk category 1b Housing – Affordable Housing – (iii) specific risk refers to the implications of the Domestic Abuse Act for the Council in terms of suitable housing provision. At risk category 8 - Equalities, Diversity and Inclusion refers to the Equality Act 2010.

8. Other considerations

8.1 The LGA Corporate Peer review recommendations arising from the review of November 2022 also supports the Council to address its significant strategic risks, considering overlapping themes around sustainability, developments, housing, supporting communities and finances. It remains the responsibility of designated officers to take these forward and it is noted that progress on the action plan forms part of separate reporting. If the Council does not effectively address the Peer Review recommendations this could impact further on some risks presented in the Corporate risk register.

9. Equality and Diversity

9.1 The Corporate Risk Register incorporates Equality, Diversity and Inclusion as a specific strategic risk category and sets out current controls and current mitigation measures in place, as well as further risk mitigating actions for perusal (risk action plan).

10. Sustainability/Climate Change Implications

10.1 There are none separate to those in the Corporate Risk Register.

11. Timetable for implementation

11.1 The Risk Action Plan at Appendix B shows lead Council officers responsible for progressing actions, together with target timescales for implementation. The register is reviewed and updated three times a year in consultation with the corporate management team, Group Heads and Managers. It is coordinated, analysed, and reported by the Internal Audit Manager.

12. Contact

12.1 Internal Audit Manager, Punita Talwar. P.talwar@spelthorne.gov.uk

01784 446454

12.2 Please also refer to contact names provided for Risk owners/accountable officers as well as lead Officers who hold responsibility for implementing systems of internal control and mitigating actions to manage and alleviate the risks identified against each broad risk category.

Background papers: There are none*.*

Appendices:

Appendix A – Corporate Risk Register – this includes (i) level of assessed risk i.e., Red/Amber/Green - RAG status of each risk category (ii) Numerical Risk score.

Appendix B – Risk Action Plan

APPENDIX A Corporate Risk Register - Spelthorne Borough Council

Risk Scoring Matrix (Plotted June 2023 for current RAG rating and current risk score in consultation with Officers)
This is the matrix that forms part of the risk management policy. We currently assess the level of each risk category by plotting them on this matrix to provide a traffic light RAG rating. We also determine a numerical risk score by multiplying likelihood and impact scores. Please also refer to the next page for further detail on the approach and criteria applied.

When assessing the Council's risks in terms of likelihood and impact, we take into account the national and global picture for wider externalities such as the macroeconomic environment and geopolitical factors. Spelthorne's operations remain influenced by these external challenges and pressures, as is the case for other Councils. Due to these externalities, there are many activities that the Council cannot directly control/mitigate, or influence and continued recognition is important. **Red** risks require prompt, planned management action **Amber** risks require planned management action **Green** risks are accepted risks. RC = Risk category on the detailed register e.g., RC2 = Risk Category 2 – Economy. This is also referred to on the matrix for ease of reference.

IMPACT	**4 (Catastrophic)**				
	3 (Major)			**RC2** -Economy **RC3** - Commercial Assets **RC5** -Treasury Management **RC6** –Climate Change **RC8-** E,D,I **RC9** – Across Local Govt	**RC1a** – Housing (Development Targets) **RC1b** – Housing (Affordable) **RC4** -Finance & Communities **RC7** Resources
	2 (Medium)				
	1 (Trivial)				
		1 (Rare)	**2 (Unlikely)**	**3 (Likely)**	**4 (Almost certain)**
		Likelihood			

APPENDIX A Corporate Risk Register - Spelthorne Borough Council

How risks are scored:

We assess and score risks, with their current controls and current mitigations in place, for likelihood and impact as shown below:

Score	Impact	Likelihood (over 4 years or timescale deemed appropriate)
1	Trivial	Rare (once)
2	Medium	Unlikely (a few times / less than annual)
3	Major	Likely (several times / more than annual
4	Catastrophic	Almost certain (many times a year)

Impact can be measured in many ways and will be specific to what you are assessing, but the most common are on objectives, finance, and reputation. We then plot the risk on the risk matrix model shown on the prior page to provide a RAG rating, to determine and prioritise the most significant risks for action. The risk action plan (refer to separate document) sets out how the authority is working towards further addressing and mitigating the risks.

KEY TO TERMINOLOGY (SEE RISK REGISTER BELOW)

- Risk is the chance of something happening or not happening that will affect the achievement of corporate priorities and business objectives.
- Controls and Mitigation - Any action taken to manage risk and increase the likelihood that established objectives will be achieved.
- *Control Actions - These are specific actions to reduce the likelihood of a risk event or occurrence.
- **Mitigating Actions - These are specific actions to reduce the impact of a risk event should it occur.

APPENDIX A Corporate Risk Register - Spelthorne Borough Council

APPENDIX A Corporate Risk Register - Spelthorne Borough Council

Risk Category 1a - Housing – Development and Targets

Corporate Priority Areas	**Ownership & Accountability for Risk**	**Lead Officer (s) Risk Category 1a**
Supporting Communities Affordable Housing Service Delivery	Management Team CPRC - Development Sub-Committee ESC (for Local Plan)	Group Head Assets Group Head Place, Protection and Prosperity (Heather Morgan) Deputy Chief Executive (Terry Collier)

Previous RAG Status (March 2023)	Current RAG Status (June 2023)	Previous Risk Score (March 2023)	Current Risk Score (June 2023)
		12	12

Risk Descriptions
1a (i) The delays in decisions, which occurred due to a number of factors, appear to have been a key contributory cause in schemes not taking off/progressing, leading to rising overall costs, and risk of adverse financial position of the Council. The risk of adverse impact from past delay and any further delay has now increased in the context of rising interest rates and significant construction inflation. The extent to which such variables - interest rates and construction inflation may eventually fall remains uncertain, presenting new options for slowing down scheme delivery and construction in seeking the optimal financial outcome for the Council. 1a (ii) Significantly increased interest rates from the Public Works Loan Board (PWLB) and rising inflationary pressures continue to very significantly affect the financial viability of each project going forward, which could further impact delivery of housing schemes and development targets (both affordable and general housing). 1a (iii) Market volatility including exchange rate fluctuations are further exacerbating frequent uplift of scheme prices and costs (such as materials / fuel / transportation / labour) leading to delays in finalising contracts and necessitating new approaches to contract management such as open booking accounting. This may provide greater uncertainty in terms of longer-term contract costs and budgetary impact but will enable fair value to be demonstrated. 1a (iv) Any delays in the examination and adoption of the Local Plan are likely to continue to impact on the ability to bring forward the appropriate quantum of housing development. The publication version of the Local Plan started undergoing an external independent Examination by the Planning Inspectorate in May 2023, and has been deferred following the Extraordinary Council Meeting on 6 June 2023 where it was agreed to pause the Local Plan for three months to enable new Councillor's to review the Plan and process. This further delay to the examination hearings and adoption of the Local Plan runs a number of significant risks including:

- The prospect of additional pressure on our Local Plan to meet the housing need of other boroughs (in particular those neighboring authorities who have not built on greenbelt); - A lack of certainty around housing delivery (5-year supply); - Risk of legal challenge; - The prospect of unsuitable developments coming forward either on green belt sites or within town centres such as Staines, exposing the Council to greater risk of supporting such developments in the absence of a sound plan to rely on. Subsequent increased levels of overall build across Spelthorne carry far reaching implications (environment, infrastructure etc.) 1a (v) Risk of potential uncertainty over future NHS Capital settlement to fund major development.

***Current Control Actions** (See Key. These are specific actions to reduce the likelihood of a risk event or occurrence)	****Current Mitigating Actions** (See Key. These are specific actions to reduce the impact of a risk event should it occur).
Original approved timetable for adoption of the Local Plan will be impacted by a three month pause to Local Plan agreed at ECM on 6 June 2023.	Annual Housing Delivery Test Action Plan
Viability assessments for development schemes required to take account of accelerating costs to determine ongoing financial viability	Annual Planning Performance report. Robust viability assessment of schemes undertaken by independent experts appointed by the LPA.
Exploring alternative options and funding opportunities in supporting delivery of development schemes (such as Grant funding) and joint venture opportunities	Financial monitoring and reporting; quantifying the impact of delayed property schemes on the Council's budgetary position as well as outlining mitigating actions moving forward, implementing the strategy agreed by February 2023 ECM, as set out below.
Weekly progress reporting of Property Development projects to officer Development Investment Group (DIG)	Exploring and reviewing options for reducing amount of borrowing required to fund the Housing Delivery programme. Options being explored set out below: i) Exploring grant funding options to fund part of the residential developments –meetings with Homes England. Also exploring with One Public Estate future potential of Brownfield Release grant funding and BEIS green energy grants. ii) Changing the tenure mix of residential schemes to include element of sales of units (reducing the amount of long-term borrowing required) iii) Reviewing with Treasury Management advisors borrowing strategy – this represents an ongoing process

	iv) Bringing forward capitalisation proposals for KGE along with blended mix of the above as to how the Council can facilitate transfer of completed residential schemes at a cost which is financially viable for KGE. v) Undertaking Value re-engineering Above covered at Extraordinary Council Meeting on 02 February 2023.
	Initiating application process of Knowle Green Estates becoming a Registered Provider which will enable it to benefit from Homes England grant funding. Process involves detailed external scrutiny of governance, policies and procedures and review of a 30 year Business Plan.
Bi-monthly Assets Portfolio Working Group (with Chair and Vice-Chair of both Corporate Policy and Resources Committee (CPRC) and Development Sub-Committee	
Regular advisory reports to relevant Committee/Sub-Committee regarding status of schemes, to inform decision making	CPRC agreed an Appropriation policy for treating any long-term surpluses generated by KGE
CPRC policy steer regarding options for repatriating surplus funds from KGE over the long term; KGE annual report to CPRC; established policies and framework.	On 28 November 2022 CPRC received the KGE annual report. ECM on 02 February 2023 agreed a new strategic approach to put the Council's residential delivery programme on a financially sustainable basis and to protect the viability of KGE.

Please now refer to the Risk Action Plan at Appendix B. This sets out how the authority is working towards further addressing and mitigating the risks.

What is the indicative/additional indicative risk score after considering further mitigation measures set out in the Risk Action Plan? (At June 2023)	Direction of Travel After considering further mitigation set out in the Risk Action Plan? (Either) - Maintained risk score and RAG status - Reduced score with no change to RAG status - Reduced score and RAG status
12	Maintained risk score and RAG status

APPENDIX A Corporate Risk Register - Spelthorne Borough Council

Risk Category 1b - Housing – Affordable

Corporate Priority Areas	**Ownership & Accountability for Risk**	**Lead Officer (s) Risk Category 1b**
Supporting Communities Affordable Housing Service Delivery	Management Team Community Wellbeing & Housing	Group Head Community Wellbeing (Karen Sinclair)

Previous RAG Status (March 2023)	Current RAG Status (June 2023)	Previous Risk Score (March 2023)	Current Risk Score (June 2023)
		12	12

Risk Descriptions
1b (i) Lack of affordable housing supply increases homelessness 1b (ii) Housing provision (types of units) does not meet local resident needs or address client special needs for accommodation. Any delay in adopting the Local Plan does not assist in progressing a wide spread of units for differing needs. 1b (iii) The Domestic Abuse Act presents additional pressures and demand as there is a requirement for victims of domestic abuse to be prioritised and rehoused in secure accommodation (parameters of what constitutes domestic abuse expanded under latest legislation) 1b (iv)The ongoing conflict in Ukraine and refugee situation, particularly the Government decision to close Afghan Bridging hotels by end of August 2023, presents additional pressures in ensuring that fundamental needs are met in supporting new communities. Spelthorne participates in the Local Authority Housing Fund programme to acquire properties to house homeless refugees. The funding is insufficient to be able to acquire the total number of properties required and the Council has to contribute financially to each purchase. The delivery of the programme will be completed after the closure of the Bridging Hotels, thus there will be a gap period during which time the Council will be required to provide temporary accommodation to homeless households. There is Government funding for temporary placements, however the borough lacks the number of temporary accommodation available for the placements. As a result, the Council is at risk of placing households in properties which are not in the borough and/or unsuitable in other ways. Not only is this disruptive for the households themselves, but the Council potentially faces legal challenge and complaints to the Ombudsman. Spelthorne expects an increased number of homeless approaches from the asylum hotel within the borough as well as other dispersed accommodation, however there is very limited funding available for housing asylum seekers which could adversely impact these communities. 1b (v) There is also pressure from neighbouring and London authorities placing households in the borough, often without our knowledge, however the Council has no powers to prevent this. It further reduces supply. 1b (vi) Managing demand for social housing is extremely challenging given that anyone with a local connection can apply for housing to any Council. 1b (vii) Cost of Living crisis and rising interest rates are adding increased pressure to (a) homeowners and landlords in repayment of mortgages as variable rates spiral. This causes landlords to increase rental charges presenting more homelessness cases (if rents cannot be afforded) with increased demand for social housing.

The above risks lead to increased costs and pressure on the Council's Housing Service in responding to homelessness and growing numbers on the Housing register, impacting delivery of affordable housing provision across the borough. If fundamental housing needs are not met / maintained this may have a negative impact on the health and wellbeing of individuals / families. Legal challenge is likely and an increase in complaints and referrals to the Ombudsman. Furthermore, there is a risk to the health safety and welfare of staff dealing with families in housing crisis as they become frustrated and at times abusive.

***Current Control Actions** (See Key. These are specific actions to reduce the likelihood of a risk event or occurrence)	****Current Mitigating Actions** (See Key. These are specific actions to reduce the impact of a risk event should it occur).
As part of the Housing Delivery Programme, Affordable Housing provision extends beyond those development schemes acquired by Spelthorne Borough Council (direct delivery)	Government funding to assist vulnerable families in rent arrears and who are at threat of eviction. Additional support is being provided to vulnerable residents to assist with tenancy sustainment through floating support funded by the government's Rough Sleeping Initiative. Capacity for quality advice provision has been extended for the Citizen's Advice to support the community.
Collaborative working with Registered Social Landlords and Partners to pursue delivery of affordable housing need. Some new developments with affordable housing units are expected later this year through Registered Providers. 22 units are expected later this year from A2D and further 48 units from PA Housing	Collaborative initiatives with Surrey County Council (e.g., Drug and alcohol abuse)
In complying with Homelessness Reduction Act, proactive measures taken to address risk of homelessness	Monitoring of Housing Register levels (currently approx. 3,800 households on the register). Re-registration process will take place this summer in accordance with the new terms of the revised Allocation Policy.
Measures to support Rough Sleepers, Afghan and Ukrainian refugee families under the government funded relocation and assistance scheme, including dedicated support workers. Applying Home Office funding to provide additional support to refugees.	Council applying for maximum grant funding for both Afghan and Ukrainian schemes and looking to put in place wrap around housing support to mitigate as much as possible housing accommodation risk pressures. Discussions underway with the Spelthorne hotel currently housing Afghan refugees in planning future arrangements for housing homeless clients.

Purchasing properties to accommodate Ukrainian and Afghan families initially (longer term available for general housing needs) part funded by the Government Local Authority Housing Fund capital funding	Participation in Local Authority Housing Fund Round 1 approved by Corporate Policy and Resources Committee (CPRC). Currently on track already to secure all 11 target properties, including the one 4 bed property specifically for larger Afghan families (which attracts higher level of grant funding). 26th June CPRC to consider participation in Round 2 to acquire a further 4 properties.
Housing and Homelessness Strategies. Quarterly Strategic Action Plan monitoring. Regular review by officer Strategic Housing Group. Member approved tenancy strategy	Counter Fraud bulk data matching initiative is underway with A2D, with the objective of identifying potential social housing fraud occurrences, to free up social housing for those in genuine need
Surrey reciprocal arrangement to re-house applicants across boroughs where local connection confirmed	The Housing Team have written to other Councils reminding them of legal obligation to notify where placing households in the borough
£35m property acquisition scheme via KGE – Knowle Green Estates to purchase and manage readymade properties approved by Full Council in February 2022, forming part of the capital programme. A process flowchart incorporates due diligence at key stages	The street property acquisition project is to be partially funded by Homes England to assist with viability in context of the higher cost of borrowing.
S106 agreements with Developers	Strengthened the review process for s106 agreements to capture any potential additional affordable housing due to an uplift in value.

Please now refer to the Risk Action Plan at Appendix B. This sets out how the authority is working towards further addressing and mitigating the risks.

What is the indicative/additional risk score after considering further mitigation measures set out in the Risk Action Plan? (At March 2023)	Direction of Travel After Considering further mitigation set out in the Risk Action Plan? (Either) - Maintained risk score and RAG status - Reduced score with no change to RAG status - Reduced score and RAG status
12	Maintained risk score and RAG status.

APPENDIX A Corporate Risk Register - Spelthorne Borough Council

Risk Category 2 – Economy

Corporate Priority Areas	**Ownership & Accountability for Risk**	**Lead Officer (s) Risk Category 2**
Supporting Communities Recovery from COVID	Management Team Economic Development Committee	Group Head Place, Protection and Prosperity (Heather Morgan)

Previous RAG Status (March 2023)	Current RAG Status (June 2023)	Previous Risk Score (March 2023)	Current Risk Score (June 2023)
		9	9

Risk Descriptions
Evolving national economic strategy and policy and ongoing recovery from previous pandemic lockdowns continue to impact economic well-being locally, nationally and globally. This is now being compounded by continued impact of the Cost-of-Living crisis. The risk implications and threats to the Council are: • Residual risk to be accepted – whilst Council actions aim to support businesses and the local economy, these actions alone can only have a limited impact due to the overarching effects and long-term uncertainty of the macroeconomic environment, market volatility and geopolitical factors over which the Council has incredibly little influence. • Significant longer-term reduction in income (fees and charges, such as parking and retail lettings of the Elmsleigh Centre) with decreased footfall in the town centres and uncertainty around future consumer activity patterns. This will continue to impact the Council's finances. • The potential for increased level of business failures as a result of wider economic instability (inflationary pressures and increase in borrowing) and the need to pass on increased costs to the consumer. This impacts the economic prosperity of the borough and affects collections rates for business rate income, with reduced levels impacting finances and services available. • The current economic environment may increase occurrences of anti-social behaviour, theft and fraud

***Current Control Actions** (See Key. These are specific actions to reduce the <u>likelihood</u> of a risk event or occurrence)	****Current Mitigating Actions** (See Key. These are specific actions to reduce the <u>impact</u> of a risk event should it occur).
An Economic Prosperity Strategy has been developed (2023 – 2028) which addresses the key actions which face the borough. It incorporates a detailed strategy action plan detailing performance management measures in anticipating outcomes. This was agreed by the Economic Development Committee on 12 January 2023.	Government assisted Energy Bills Support Scheme (EBSS) to support increased energy costs / bills. On 12 January 2023, the Economic Development Committee agreed a Town Centres Strategy for 2023 which sets out a series of key actions for our smaller shopping areas and parades. These

https://democracy.spelthorne.gov.uk/documents/s46623/App%20A%202023-28%20Economic%20Strategyv4.pdf	will provide targeted support and interventions, with timescales and measures of success clearly identified. https://democracy.spelthorne.gov.uk/documents/s46628/TCM%20Strategy%20FINAL.pdf
Shared Prosperity Fund Investment Plan was submitted to government in August 2022 highlighting local priorities and projects to assist with economic regeneration (£1m to spend over three years but with 88% backloaded to 2024/25). DLUHC confirmed in December 2022 that our Investment Plan has been approved and the first tranche of monies were received in February 2023. https://democracy.spelthorne.gov.uk/documents/s44963/CPR%20Cttee%2011.7.22%20SPF%20report%20v2.pdf	On 10 October 2022, Corporate Policy and Resources Committee approved frontloading of Shared Prosperity Fund schemes from the retained business rates retention reserve. This is to ensure that projects can be delivered in the immediate future (when they are needed) rather than waiting for government funding to come forward in 2024/25. https://democracy.spelthorne.gov.uk/documents/s46672/CPRC%2010.10.22%20-%20SPF%20and%20BBR.pdf A separate report went to ED committee in January 2023. Local mitigating measures taken by the Economic Development team (to influence areas where a degree of local control can be applied). These include measures to strengthen the resilience of local businesses in the face of future challenges enabling access to new equipment, free professional coaching and training on social media, free cost reduction clinics, free websites etc. Business incubator to support entrepreneurs. Provision of a Youth Hub to provide support into employment / training / education for 16 – 24-year-olds funded by DWP. In Spring 2023 this has become an Employment & Skills Hub focusing on both younger and older age groups.
Monthly monitoring of Business Rates and Council Tax collection rates as part of monitoring the effect of current pressures such as the Cost-of-Living crisis on the collection fund. Regular reporting on collection rates to Corporate Debt Group and as part of KPI's to Councillors. For first two months of 2023-24 Council Tax collection reported as up by 0.3% on same period in 2022-23.	

APPENDIX A Corporate Risk Register - Spelthorne Borough Council

Please now refer to the Risk Action Plan at Appendix B. This sets out how the authority is working towards further addressing and mitigating the risks (there are no further specific actions for this risk category 2 (Economy) in the Risk Action Plan)

What is the indicative/additional risk score after considering further mitigation measures set out in the Risk Action Plan? (At June 2023)	Direction of Travel After Considering further mitigation set out in the Risk Action Plan? (Either) - Maintained risk score and RAG status - Reduced risk score with no change to RAG status - Reduced risk score and RAG status
9	Maintained risk score and RAG status

APPENDIX A Corporate Risk Register - Spelthorne Borough Council

Risk Category 3 – Financial Resilience and Commercial Assets

Corporate Priority Areas	**Ownership & Accountability for Risk**	**Lead Officer (s) Risk Category 3**
Recovery from COVID	Management Team CPRC /Development Sub-Committee	Section 151 Officer / Deputy Chief Executive / CFO (Terry Collier)

Previous RAG Status (March 2023)	Current RAG Status (June 2023)	Previous Risk Score (March 2023)	Current Risk Score (June 2023)
		9	9

Risk Descriptions
Evolving externalities arising since the aftermath of the pandemic now compounded by the Cost-of-Living crisis and inflation continue to increase the Council's exposure to financial risk, with possible implications for the investment portfolio, including loss of anticipated rental income from commercial assets. This may impact on the financial position, and our ability to deliver discretionary services, leading in the worst-case scenario to the Council becoming financially unsustainable with associated reputational damage.

***Current Control Actions** (See Key. These are specific actions to reduce the likelihood of a risk event or occurrence)	****Current Mitigating Actions** (See Key. These are specific actions to reduce the impact of a risk event should it occur).
Public Interest Report Action Plan being put in place. A new approach to ensuring the certainty of the Council's rental income is being developed. This is also referred to on the Risk Action Plan (Appendix B) and includes: • an overarching Asset Management Strategy around the proactive way the Council manages and monitors tenants and their ability to pay rental income, minimize void costs via early identification of space coming back through tenant failure or the termination of leases via surrender, expiry or break options, resulting in the need for space to be re-let.	The Council is continuing to increase its sinking funds which increased from £26m to £34m at the end of 2021-22 and £37.8m at the end of 2022-23. Ten-year worst and expected case sinking fund scenario projections are reviewed fortnightly and will be shortly extended to a 20-year time frame. February CPRC 2023 approved refreshed Sinking Fund Policy and Strategy. A full review and refresh of the sinking funds modelling will be undertaken in 2023-24 and linked to refreshed risk management and performance management measures underway as part of the Public Interest Report Action Plan.

• Asset Investment Strategies for all assets focused on the coming 12 month period • Medium term business plans that consider the assets over a 5 year period This focused approach is supplemented by performance management measures – developing KPIs which are reviewed annually and benchmarked against external, regional property indicators i.e., vacancy rates, market rentals, occupier demand and so on. The KPIs are linked to an Assets specific risk register that identifies the level of risk without mitigation, the proposed mitigation and reduced resultant risk. In addition, investment performance is monitored bi-monthly at weekly Councillor Assets Portfolio Working Group, and a six-monthly performance report is taken to Full Council for the Investment Portfolio. Currently 87.1% of overall Investment Portfolio let but expected to rise back to 91% in the summer of 2023 once a significant new tenant takes occupancy. Rent collection rates remain at 99+%.	
The Assets team continue to use letting agents to secure new tenants on market terms. Financial checks are carried out on prospective new tenants and credit positions are reviewed bi-annually for all tenants.	Periodical financial health check of tenants and continued close liaison and building strong relationships allows accurate forecast when tenants are struggling or intend to move on, which are the main factors that would result in late or non-payment of rent.
Most of the investment assets have had their Business Plans approved by the Development Sub-Committee.	Ongoing management of voids with a view to reducing the portfolio void rate. Group Head for Assets developing new Investment Asset Strategy which will incorporate business planning and be reviewed regularly.
Capital Strategy (updated Strategy approved by CPRC February 2023) includes key performance indicators (being developed further) with a particular focus on the investment portfolio. Asset Management plan reviewed annually.	Assets team proactively working to fill voids quickly using external lettings agents, understanding market demand and the size of accommodation needed.

Development Sub Committee of Corporate Policy and Resources receives regular monitoring reports for scrutiny.	
All Councillor Budget Briefing (3 times a year) set out financial risks in context of budgetary position, informing budgetary process. July 24th will be the next all Councillors budget briefing.	
External review on arrangements	SBC is participating in a review of capital risk mitigation with DLUHC and Chartered Institute of Public Finance and Accountancy (CIPFA) and will take on board any improvement suggestions.

Please now refer to the Risk Action Plan at Appendix B. This sets out how the authority is working towards further addressing and mitigating the risks.

What is the indicative/additional risk score after considering further mitigation measures set out in the Risk Action Plan? (Once these are fully implemented) (At June 2023)	Direction of Travel After Considering further mitigation set out in the Risk Action Plan? (Either) - Maintained score with no change to RAG status - Reduced score with no change to RAG status - Reduced score and RAG status
9	Maintained score with no change to RAG status

APPENDIX A Corporate Risk Register - Spelthorne Borough Council

Risk Category 4 – Financial Resilience and Supporting Communities

Corporate Priority Areas	**Ownership & Accountability for Risk**	**Lead Officer (s) Risk Category 4**
Supporting Communities Recovery from COVID Service Delivery	Management Team CPRC and Community Wellbeing	Section 151 Officer / Deputy Chief Executive / CFO (Terry Collier)

Previous RAG Status (March 2023)	Current RAG Status (June 2023)	Previous Risk Score (March 2023)	Current Risk Score (June 2023)
		12	12

Risk Descriptions
4(i) Increased financial pressures faced by the Council arising from the continued inflationary pressures on fuel, gas and electricity, staff pay pressures, slowing down of the housing delivery programme, significantly increased PWLB loan rates and other external factors are collectively causing a significant increase in revenue costs and capital expenditure. This had a significant impact on the Council's balanced budget for 2023/24 and the anticipated budget deficits from 2024/25 to 2026/27. 4(ii) Combined with reduced fee income and potential for lower collection rates of Business Rates and Council Tax (exacerbated further by the Cost-of-Living crisis) this could have an impact on the Council's ability to deliver services as well as creating greater demands on community services, leading to a negative impact on the Borough's residents and communities (economic, social, physical and mental wellbeing). Ongoing financial pressures, in worst case scenario, could lead to the Council becoming financially unsustainable. 4(iii) If the Council's borrowing levels were to become restricted, this could impact how the Council responds to unexpected events or factors presenting uncertainty and therefore its financial resilience. (This risk may also apply to risk category 5)

***Current Control Actions** (See Key. These are specific actions to reduce the likelihood of a risk event or occurrence)	****Current Mitigating Actions** (See Key. These are specific actions to reduce the impact of a risk event should it occur).
Fully refreshed Reserves Strategy approved by February 2023 CPRC	Governance reporting including financial impact of current pressures on the Council's budget. Revenue outturn report going to CPRC 26 June 2023 recommends that the £479,929 surplus on Outturn is transferred to the

	General Fund in the context of economic uncertainty to strengthen the Council's contingency funds.
Financial impact assessment modelling	Inflationary pressure contingency reserve to assist with the predicted budget deficit.
Cashable savings working group set up to target efficiencies and savings. This Group is making progress in identifying savings.	Proposals put forward for making efficiency savings over the next 4 years to further safeguard the authority in addressing the budget deficit.
All Councillor Budget Briefings, undertaken 3 times a year setting out financial risks in context of budgetary position, informing budgetary process.	Next Budget Briefing in July. Service Planning by managers commenced in June to feed into the Budget process (annual processes).
Procurement Projects Board set up to ensure focus on delivering value for money from procurement.	Outline Budget report approved by January 2023 CPRC provided updated medium term budget projections and set out options for refreshed medium term financial strategy. This was considered alongside the refreshed Reserves Strategy.
External review on arrangements	SBC is participating in a review of capital risk mitigation with DLUHC and Chartered Institute of Public Finance and Accountancy (CIPFA) and will take on board any improvement suggestions.

Please now refer to the Risk Action Plan at Appendix B. This sets out how the authority is working towards further addressing and mitigating the risks.

What is the indicative/additional risk score after considering further mitigation measures set out in the Risk Action Plan? (Once these are fully implemented) (At June 2023)	Direction of Travel After Considering further mitigation set out in the Risk Action Plan? (Either) - Maintained risk score and RAG Status - Reduced score with no change to RAG status - Reduced score and RAG status
12	Maintained risk score and RAG Status

APPENDIX A Corporate Risk Register - Spelthorne Borough Council

Risk Category 5 – Treasury Management

Corporate Priority Areas	**Ownership & Accountability for Risk**	**Lead Officer (s) Risk Category 5**
Recovery from COVID Service Delivery	Management Team CPRC	Section 151 Officer / Deputy Chief Executive / CFO (Terry Collier) Chief Accountant (Paul Taylor)

Previous RAG Status (March 2023)	Current RAG Status (June 2023)	Previous Risk Score (March 2023)	Current Risk Score (June 2023)
		9	9

Risk Descriptions
5(i) If the Council receives a reduced return on long term investments and/or investments become insecure in the current / future economic climate, then this will have an adverse impact on the Council's financial position, weakening financial resilience. 5(ii) Stock market volatility due to uncertainty may lead to adverse investment returns. 5(iii) Significant rises in interest rates and increased cost of borrowing / loans influence the Council's treasury activities. This also presents positive opportunities in enabling great returns to be earned on the Council's surplus cash supporting the Revenue Budget. 5(iv) Increasing pressure on the Council's cash flow.

***Current Control Actions** (See Key. These are specific actions to reduce the likelihood of a risk event or occurrence)	****Current Mitigating Actions** (See Key. These are specific actions to reduce the impact of a risk event should it occur).
Treasury Management Strategy for 2023-24 approved by Members at February Council.	Fixed interest rate on most debt and for investment assets an interest equalisation reserve is in place. Refer also to mitigating actions under section 4 above.
Application of updated CIPFA Code of Practice and Prudential and Treasury Management Codes	Ongoing review with Treasury Management advisors regarding the Council's borrowing strategy in the context of interest rates rises and volatility – considering options such as greater internal borrowing, more short-term borrowing, generation of capital receipts to fund portion of Capital Programme.

Performance measurement and reporting	
Aim to select counter parties of the highest credit quality	
Credit ratings monitored	
Council's investments are managed internally in consultation with specialist advisors Arlingclose. Explore options for diversifying the portfolio.	
Treasury Management training provided for all Councillors in September 2022 and financial awareness training part of new Member induction programme - 2023.	

Please now refer to the Risk Action Plan at Appendix B. This sets out how the authority is working towards further addressing and mitigating the risks.

What is the additional risk score after considering further mitigation measures set out in the Risk Action Plan? (Once these are fully implemented) (At June 2023)	Direction of Travel after Considering further mitigation set out in the Risk Action Plan? (Either) - Maintained score - Reduced score with no change to RAG status - Reduced score and RAG status
9	Maintained risk score and RAG status.

APPENDIX A Corporate Risk Register - Spelthorne Borough Council

Risk Category 6 – Sustainability & Climate Change

Corporate Priority Areas	Ownership & Accountability for Risk	Lead Officer (s) Risk Category 6
Environment and Climate Change	Management Team Environment and Sustainability Committee	Group Head Commissioning & Transformation (Sandy Muirhead)

Previous RAG Status (March 2023)	Current RAG Status (June 2023)	Previous Risk Score (March 2023)	Current Risk Score (June 2023)
		9	9

Risk Descriptions
Climate change represents a significant global threat driving social and economic disruption with far ranging consequences for socioeconomic stability. Climate change and extreme weather events impact health and safety, food systems, supply chains & procurement, economic productivity, and losses. Due to climate change, there is a specific risk to the Borough of Spelthorne in terms of more extreme heat and increased flooding, besides the more global threats such as severe storms (threat to loss of life and limb) impacting locally. If the Council is not pursuing measures or seeking positive opportunities to mitigate and adapt to climate change, it could result in criticism / bad press / public demonstration and additional organisational pressures may result in a loss of focus around climate change and green initiatives. A lack of preparedness for the impacts of climate change may lead to Council Services no longer being sustainable or in a suitable position to operate in the future.

***Current Control Actions** (See Key. These are specific actions to reduce the likelihood of a risk event or occurrence)	****Current Mitigating Actions** (See Key. These are specific actions to reduce the impact of a risk event should it occur).
Targets - In view of Government targets for reducing carbon emissions / greenhouse gases to tackle climate change, the Environment and Sustainability Committee will continue to explore ways to meet a carbon neutral target by 2050 or earlier (Developed an action plan to move the Council towards net zero carbon emissions, agreed at Environment and Sustainability Committee September 2022) and to make recommendations on: (i) How to apply the £747k fund (ii) Promote climate change as an issue that needs to permeate all Council areas to ensure we reduce our carbon footprint and adapt to climate change.	

Continue development of a list of projects to bring forward for Green Initiatives Funding including ones on biodiversity.	
Monitoring - A report is going to E & S Committee in June 2023 recommending the continuation of a climate change working group to focus on monitoring of actions towards carbon neutrality and initial assessment of ideas.	
Strategy - Surrey County Council have developed a strategy on Climate Change referred to as Greener Futures Delivery Plan which the Environment and Sustainability Committee have supported. Linked Spelthorne's Climate Change strategy where appropriate to Greener Futures Delivery Plan.	
Initiatives taken There are numerous examples of measures taken so far: Sustainability Strategy / Energy & Water Efficiency Policy / Currently developing climate change strategy and actions / Professional group membership to share best practice and knowledge / Implementing energy efficient measures in Council owned buildings / Increasing renewables capacity / Implementing sustainability principles within new builds undertaken by KGE. Recently solar panels at the Nursery as a renewable source of energy. Exploring options for improving energy efficiency of Nursery (including more solar panels) and Council offices. Officers working with relevant committees and Treasury Management advisors on how we can transition investment portfolio to a more sustainable basis. The Council is engaged with Talking Tree and the Open University in a net zero project aimed at involving the community in climate change opportunities and activities. As study concludes, looking to develop community gardening projects as participants keen to take forward.	

Training - Continuing to roll out Carbon Literacy training days and participating staff have committed to a range of carbon saving pledges. Training days will continue for other officers to target as many staff as possible. Training will be provided for Councillors in June 2023 as part of the 2023 Induction Programme.	
Funding - Proposal for funding from GIF submitted for ESG study.	

Please now refer to the Risk Action Plan at Appendix B. This sets out how the authority is working towards further addressing and mitigating the risks.

What is the additional risk score after considering further mitigation measures set out in the Risk Action Plan? (Once these are fully implemented) (At March 2023)	Direction of Travel after Considering further mitigation set out in the Risk Action Plan? (Either) - Maintained risk score and RAG status - Reduced score with no change to RAG status - Reduced score and RAG status
9	Maintained risk score and RAG status.

APPENDIX A Corporate Risk Register - Spelthorne Borough Council

Risk Category 7 – Corporate Capacity, Resources, Recruitment and Retention

Corporate Priority Areas	**Ownership & Accountability for Risk**	**Lead Officer (s) Risk Category 7**
All Priorities	Management Team CPRC & Admin Committee	Group Head Commissioning & Transformation (Sandy Muirhead)

Previous RAG Status (March 2023)	Current RAG Status (June 2023)	Previous Risk Score (March 2023)	Current Risk Score (June 2023)
		12	12

Risk Descriptions
7(i) Overstretched capacity exacerbated by the additional workload, Committee system of governance and demands arising from new schemes / initiatives in supporting communities (as well as the departure of several experienced staff) could lead to increased staff fatigue / burnout / sickness levels arising. This may impact further on employee stress levels and mental / physical wellbeing, which may also lead to reductions in expected service delivery. 7(ii) Residual risk refers to the risk that remains after control processes and measures to eliminate some or all the inherent risks have been made. It could be deemed that due to the nature of the risk set out at 7(i) above and 7(iii) below with reference to causes and consequences, as well as the continuation of intense work pressures, some residual risk may continue. In acknowledging this, the Council may wish to either: do nothing on the basis that the controls have proven effective enough to reduce the risk to an acceptable level, OR increase or modify controls to reduce the risk to a level that is regarded acceptable OR evaluate the cost of revised control and mitigation measures vs benefits and whether this is deemed necessary to bring the risk to an acceptable level. 7(iii) Unsuccessful recruitment and ongoing unfilled vacancies in a challenging and competitive labour market leads to reduced availability of technical skills and relevant expertise is spread more thinly across Services. Staff shortages further exacerbate workload pressures across teams. The consequences of this risk are set out earlier at 7(i). 7(iv) Ineffective or inappropriate recruitment exacerbated by the skill shortages within the local government market could result in appointments that fail to effectively meet business need leading to reduced service quality and/or periods of ongoing vacancies. 7(v)Alternative patterns of working such as hybrid models may present both risks and opportunities. Some of the perceived risks could include reduced output and productivity, increased fraud, cultural considerations such as silo working resulting in loss of corporate memory/knowledge with less effective outcomes and/or a misalignment with corporate priorities. Positive opportunities associated with hybrid and flexible working include supporting the retention

and recruitment of staff in a highly competitive labour market, greater work-life balance for employees with reduced travel time and consequently a more positive impact on the environment over time (lowering carbon emissions) where road traffic is reduced.

***Current Control Actions** (See Key. These are specific actions to reduce the likelihood of a risk event or occurrence)	****Current Mitigating Actions** (See Key. These are specific actions to reduce the impact of a risk event should it occur).
Performance Management – Continuous performance management (CPM) system includes regular 1-1's with line Managers as well as more formal quarterly performance clinics. Central recording system to summarise discussions with reference to key output areas, effectiveness of outcomes, targets, training and development and any wellbeing matters. Enables HR to keep an oversight track of CPM implementation. Corporate performance management top-down approach incorporates the overarching Corporate Plan priorities and objectives, service plans with kpi's and personal targets. These processes should be closely aligned in supporting delivery of the Council's priorities, objectives, and long-term vision. Benchmarking of some KPI'S across Surrey is in place to ascertain performance levels. With communication platforms like MS Teams and supported systems and technology, staff are fully equipped to work in the office and remotely. Automated internal control processes are important to support modern working practices. Group Head of Commissioning and Transformation issued a Briefing Paper to the March 2023 Audit Committee setting out some of the ways in which this change initiative - Hybrid working is managed at Spelthorne (Hybrid working policy of minimum 2 days required in the office to maintain working relationships, performance management, extent of application dependent on business needs/frontline, individual officer requests etc.) and reinforcing	Reports can be produced to monitor remote activity across the workforce if required. Implementing adequate mechanisms for performance management, monitoring productivity and following through on performance issues are the responsibility of managers across services/teams. Corporate policies to support. Regardless of where services are delivered from (remote vs office), the focus should be on the efficiency and effectiveness of outputs and outcomes in delivering Council services and priorities, ensuring these are provided in a way that supports Council values (PROVIDE). Corporate establishment Review underway incorporates aspects of service delivery and hybrid models of working. In measuring and monitoring the effectiveness of Hybrid Working some considerations include kpi's monitoring, general performance management and complaints monitoring: GH Commissioning and Transformation reported no adverse impact of kpi's performance (for corporate kpi's reported) as a result of hybrid. KPIs are reviewed annually to ensure they are relevant to service delivery. Complaints process to measure any dissatisfaction of customer/public experience, however this mechanism alone may be limited as if there were any increased level of complaints this could also indicate a general societal trend of becoming more comfortable to formally report concerns.

some of the wider benefits that have made this working approach a necessity in the modern world post-pandemic).	
Capacity management – Management to address workload issues across teams, with continued prioritisation of tasks	Staff can access welfare information on the Intranet. Support is available for mental and emotional wellbeing including mental health first aiders and Care First. This scheme has been promoted through regular staff communications.
Responsibility to remain alert to stress related risks of demanding workload.	Monitoring of sickness absence provides a corporate view of stress issues. LGA Peer review presentation/recommendations included references to working culture/workload pressures/organizational style.
The need to treat colleagues respectfully has been recognized and communicated.	Addressed in the LGA Peer review in relation to Councillors and staff.
Corporate values under the acronym 'PROVIDE' form part of the Corporate Plan. Over time it is the intention for the Council's values to become further embedded into behaviours, policy, and processes (including recruitment).	
Annual staff and Member survey commissioned in 2022 designed to ascertain employee and member views on several themes including workplace culture, values, recruitment and retention. Key matters arising from these surveys including organizational behaviours have been highlighted and communicated further as part of the LGA Corporate Peer review.	
Growth bids for additional resourcing form part of annual budget process (moratorium restrictions remain likely going forward).	No net increase in FTE's approved as part of the 2023-24 Budget approved by February Council. Only existing posts to be filled as likely moratorium on new FTE posts will remain.
Several recruitment and retention measures have been underway for some time with examples below and developments in some areas: i) Recruitment and Retention Policy and Market Supplement Scheme to offer financial enhancements for hard to fill posts which are agreed by MAT. ii) An apprenticeship training programme to upskill existing staff and offer development opportunities to new hirers. As part of the Finance restructure, two apprentice posts have been created. Apprenticeships continue to be encouraged and there may be possibilities for new apprenticeships in customer services.	February Council approved pay uplift for 2023-24 – a fixed £1,925 per FTE equivalent to an average increase of 3.5%. Corporate Establishment Review underway.

iii) An Employee Assistance Programme scheme and Mental First Aider scheme to assist with staff wellbeing. Positive feedback received from staff using these services. iv) Implementation of hybrid working in response to staff feedback and ensuring that staff are fully equipped to work from home. This working pattern continues to be well received and assists with retaining and recruiting staff - important in a competitive market as something to offer potential applicants. v) Flexi time working arrangements. vi) An exit interview scheme routinely offered / undertaken that encourages leavers to engage, providing an opportunity for SBC to learn, improve and apply where appropriate for the future. vii) £1,925 fixed sum agreed across all grades for 2023-24 – proportionally worth more for lower paid staff viii) Members of South East Employers newly formed Reward and Recognition Network to share best practice and to learn from any initiatives taking place elsewhere (this is a work in progress). This highlights that all local authorities are experiencing recruitment issues. ix) Market supplements policy reviewed and refreshed x) Collaborative working and Partnerships being explored with a view to enhancing organisational and service resilience, promoting career opportunities and staff retention measures. It is important to be mindful that staff may fear for their roles/job security, so this is also a contributory factor leading to skilled staff leaving the Council. Reassurance for staff will be provided where appropriate. To ensure these policies related to recruitment and retention continue to be fit for purpose they have recently been reviewed.	

Please now refer to the Risk Action Plan at Appendix B. This sets out how the authority is working towards further addressing and mitigating the risks.

What is the additional risk score after considering further mitigation measures set out in the Risk Action Plan? (Once these are fully implemented) (At June 2023)	Direction of Travel (Either) after considering further mitigation set out in the Risk Action Plan? - Maintained risk score and RAG (Red/Amber or Green) - Reduced risk score with no change to RAG status - Reduced risk score and RAG status
9	Reduced score and RAG status (to Amber)

APPENDIX A Corporate Risk Register - Spelthorne Borough Council

Risk Category 8 – Equality, Diversity, and Inclusivity		
Corporate Priority Areas	**Ownership & Accountability for Risk**	**Lead Officer (s) Risk Category 8**
All Priorities	Management Team Admin Committee	Management Team Group Head Commissioning & Transformation (Sandy Muirhead)

Previous RAG Status (March 2023)	Current RAG Status (June 2023)	Previous Risk Score (March 2023)	Current Risk Score (June 2023)
		9	9

Risk Descriptions
(i)If there is a failure to effectively adhere to the Equality Act (2010), this could lead to workplace practices and delivery of services that fail to incorporate necessary principles, standards and requirements in promoting equal opportunities, diversity and inclusivity. This may increase risks of discriminatory practices and consequentially, the Council could be subject to complaints or even claims resulting in reputational damage. (ii) If there is insufficient resource, skills or expertise to develop, promote and support implementation of E, D & I standards, progress in driving change and positive impact through a structured approach may be limited.

***Current Control Actions** (See Key. These are specific actions to reduce the likelihood of a risk event or occurrence)	****Current Mitigating Actions** (See Key. These are specific actions to reduce the impact of a risk event should it occur).
Training mechanisms to raise awareness and understanding such as the online Workrite module.	Equality Impact Assessments are completed as a requirement on initiation of new projects and strategies.
Some examples of how the Council demonstrates its commitment to E, D & I principles include: (i)Recognising and celebrating diversity through communications and engagement amongst staff and local communities such as Black History Month, GBLT Pride month of June, religious festivals. (ii)Champions (Staff reps) to explore further positive approaches relating to E, D & I. Inclusivity Working Group meets regularly.	

(iii) Corporate Values – (PROVIDE) are incorporated into the Council's equality and diversity objectives together with an internal equality and diversity policy. (iv) An Equality, Diversity and Inclusivity 'Statement of Intent' document has been reported. (v) Internal and external websites have been updated with Equality and Diversity policy and statement published.	

Please now refer to the Risk Action Plan at Appendix B. This sets out how the authority is working towards further addressing and mitigating the risks.

What is the additional /indicative risk score after considering further mitigation measures set out in the Risk Action Plan? (Once these are fully implemented) (At June 2023)	Direction of Travel After Considering further mitigation set out in the Risk Action Plan? (Either) - Maintained risk score and RAG - Reduced risk score with no change to RAG status - Reduced risk score and RAG status
6	Reduced risk score with no change to RAG status (Amber)

APPENDIX A Corporate Risk Register - Spelthorne Borough Council

Risk Category 9 – Working arrangements across local government tiers

Corporate Priority Areas	**Ownership & Accountability for Risk**	**Lead Officer (s) Risk Category 9**
All Priorities	Management Team Corporate Policy and Resources Committee (CPRC)	Management Team

Previous RAG Status (March 2023)	Current RAG Status (June 2023)	Previous Risk Score (March 2023)	Current Risk Score (June 2023)
		9	9

Risk Descriptions
9 (i) The Surrey County Deal presents potential implications for collaborative and partnership working approaches across Surrey Districts and Boroughs in serving local communities, and this continues to be monitored in terms of progress and likely impact across local authority tiers. 9 (ii) In the context of wider financial / funding challenges being experienced across local government, there is a greater risk that pressures faced at County Council level may be diverted to districts and boroughs. This could lead to increased workload for smaller authorities like Spelthorne as well as extended complexity and risk in delivering high profile services / operations for which skills and expertise may not be held. (One example relates to Family Support where the volume of County referrals for high need cases have increased significantly, as well as the caseload category exceeding ‘level 3’). 9 (iii) As Surrey County Council draw to an end a number of devolved services and agency agreements (formerly undertaken by Spelthorne), this could lead to reduced service quality in areas such as on-site parking and verge maintenance, impacting local communities and residents. Any transitional arrangements may continue to encroach on Spelthorne Borough Council.

***Current Control Actions** (See Key. These are specific actions to reduce the <u>likelihood</u> of a risk event or occurrence)	****Current Mitigating Actions** (See Key. These are specific actions to reduce the <u>impact</u> of a risk event should it occur).
Service Level Agreements to clarify roles and responsibilities of respective parties	Spelthorne is committed to working in partnership with a significant number of such arrangements already in place, with a view to promoting greater alignment of strategic responsibilities and resources to achieve greater effectiveness and optimising best value.

Strategic boards such as Surrey Delivery Board established in making broader decisions	
Liaison at senior executive level across tiers to discuss future management of high levels and changing complexity of referrals/ caseload.	

Please now refer to the Risk Action Plan at Appendix B. This sets out how the authority is working towards further addressing and mitigating the risks (there are no specific actions raised for this risk category).

What is the additional/indicative risk score after considering further mitigation measures set out in the Risk Action Plan? (Once fully implemented) (At June 2023)	Direction of Travel After Considering further mitigation set out in the Risk Action Plan? (Either) - Maintained risk score and RAG status - Reduced score with no change to RAG status - Reduced score and RAG status
9	Maintained risk score and RAG status

This page is intentionally left blank

APPENDIX B RISK ACTION PLAN REPRESENTING FURTHER MITIGATING ACTIONS (OPEN)

COMPLETED ACTIONS ARE SHADED IN GREEN, CONTINUOUS ACTIONS ARE IN BLUE, NEW ACTIONS ARE IN PINK. OVERALL ACCOUNTABILITY ASSIGNED TO MANAGEMENT TEAM AND RESPECTIVE COMMITTEE

RISK CATEGORY (RC) REFERENCE (AS IN THE CRR)	ACTIONS (SMART)	DATE ACTIONS ADDED	LEAD OFFICER DATE ACTIONS REVIEWED & WHOM BY	TIMELINE FOR DELIVERY (INCLUDES ALL REVISED TARGET DATES)	STATUS (IMPLEMENTED / IN PROGRESS OR OUTSTANDING) (REPORTED STATUS AT JUNE 2023)
1a. HOUSING – Development & Targets	1a (i). Preparation and adoption of New Local Plan to meet future need and strengthen affordable Housing Policy	March 2020	Lead - Strategic Planning Manager (Ann Biggs) *Action reviewed by Group Head Place, Protection and Prosperity 07.10.21, 09.02.22, 24.06.22, 27.10.22, 20.02.23,31.5.23,13.6.23*	(i) March 2022 (ii) Revised – June 2023 (iii) Revised January 2024 (TBC)	IN PROGRESS The Local Plan Examination Hearings started on 23 May. At the ECM on 6 June councillors agreed “Spelthorne Borough Council formally request the Planning Inspector to pause the Examination Hearings into the Local Plan for a period of three months to allow time for the new council to understand and review the policies and implications of the Local Plan, and after the three month pause the Council will decide

COMPLETED ACTIONS ARE SHADED IN GREEN, CONTINUOUS ACTIONS ARE IN BLUE, NEW ACTIONS ARE IN PINK.
OVERALL ACCOUNTABILITY ASSIGNED TO MANAGEMENT TEAM AND RESPECTIVE COMMITTEE

					what actions may be necessary before the Local Plan examination may proceed”. This will impact/delay adoption of New Local Plan.
1a. HOUSING – Development & Targets	1a (ii) Continue to pursue rigorous application process of Knowle Green Estates becoming a Registered Provider which will enable it to benefit from Homes England grant funding. Without Homes England grant funding, the Council’s affordable rental and keyworker schemes will not be viable.	June 2023	Chief Finance Officer, Group Head for Assets, Chief Accountant, and KGE Board	(i)December 2024	NEW ACTION & IN PROGRESS Following the steer set by 2nd February Council; KGE Board has approved an action plan for achieving Registered Provider (expected to take 12-18 months) and has identified potential advisers to assist with the application process- procurement to be undertaken. Report to come to July CPRC.
1b HOUSING – Affordable	1b (i). Service Level Agreement to be put in place with registered providers to	March 2020	Lead - Housing Strategy Manager (Marta Imig)	(i)October 2021	IN PROGRESS Agreement in place with Registered

APPENDIX B RISK ACTION PLAN REPRESENTING FURTHER MITIGATING ACTIONS (OPEN)

COMPLETED ACTIONS ARE SHADED IN GREEN, CONTINUOUS ACTIONS ARE IN BLUE, NEW ACTIONS ARE IN PINK.
OVERALL ACCOUNTABILITY ASSIGNED TO MANAGEMENT TEAM AND RESPECTIVE COMMITTEE

	establish and take forward cases of any alleged tenancy fraud with a view to freeing up social housing.		*Action reviewed by Housing Strategy Manager on 3.10.2021,28.1.22,28.6.22,* February 2023, 24.5.23	(ii) Revised March 2022 (iii) Revised July 2022 (iv) Revised October 2022 (v)Revised January 2023 (vi)Revised May 2023 (vii)Revised October 2023	Provider and project to undertake a targeted bulk data matching exercise has commenced. The work has now started on this project with first results of the matching exercise expected soon.
1b HOUSING _ Affordable	With Afghan residents in Bridging Hotel in Staines being given until 16th August to quit, this presents a risk that substantial number will present as homeless to the Council. Currently 26 families live in the hotel, all of whom have been served eviction notices to vacate the premisses. Acquisition of properties to support refugees forms an important strategy that the Council is pursuing.	June 2023	Group Head Community Well Being Group Head Assets Deputy Chief Executive	August 2023	NEW ACTION & IN PROGESS Council participated in LAFG Round 1 committing to purchasing 11 properties – 1 already acquired (SBC first Council in Surrey to complete a purchase) a further 3 about to be purchased and balance of 11 identified and being brought to Development Sub-Committee for

APPENDIX B RISK ACTION PLAN REPRESENTING FURTHER MITIGATING ACTIONS (OPEN)

COMPLETED ACTIONS ARE SHADED IN GREEN, CONTINUOUS ACTIONS ARE IN BLUE, NEW ACTIONS ARE IN PINK. OVERALL ACCOUNTABILITY ASSIGNED TO MANAGEMENT TEAM AND RESPECTIVE COMMITTEE

					approval. Council potentially participating in Round 2 of LAHF to acquire a further 4 properties. Community Wellbeing and Housing Committee 13th June approved in principle and report will be considered by CPRC on 26th June. Refugee support coordinators providing support to residents in the hotel and assisting families to look for accommodation
3i FINANCIAL RESILIENCE AND COMMERCIAL ASSETS	3i. Developing a long-term relationship management strategy with existing tenants as part of a new Investment Asset strategy.	March 2023	Group Head Assets	(i). July 2023 (ii)Revised October 2023	IN PROGRESS. This action will form part of the new overarching Asset Management Strategy being developed and due to be reported to Corporate Policy & Resources Committee in Autumn 2023.

APPENDIX B RISK ACTION PLAN REPRESENTING FURTHER MITIGATING ACTIONS (OPEN)

COMPLETED ACTIONS ARE SHADED IN GREEN, CONTINUOUS ACTIONS ARE IN BLUE, NEW ACTIONS ARE IN PINK. OVERALL ACCOUNTABILITY ASSIGNED TO MANAGEMENT TEAM AND RESPECTIVE COMMITTEE

3i FINANCIAL RESILIENCE AND COMMERCIAL ASSETS	3ii.Develop and implement a Public Interest Report Action Plan for approval by Audit Committee	June 2023	Chief Finance Officer, Group Head for Assets, Chief Accountant	July 2023	NEW ACTION & IN PROGRESS - Draft Action Plan coming to Development Sub-Committee on 3rd July and Audit Committee on 27th July for approval by Councillors.
3i FINANCIAL RESILIENCE AND COMMERCIAL ASSETS	3iii. A full review and refresh of the sinking funds modelling will be undertaken in 2023-24	June 2023	Chief Finance Officer & Chief Accountant	December 2023	NEW ACTION & IN PROGRESS As previously agreed with CPRC and as part of PIR Action Plan, 50-year refresh of the modelling will be undertaken by autumn and will feed into 2024-25 Outline Budget process.
3ii. FINANCIAL RESILIENCE AND COMMERCIAL ASSETS	3iv.Consider and pursue any forthcoming recommendations from CIPFA and DLUHC review of Capital risk mitigation. Risk is that could result in restrictions as to how much borrowing the Council can	March 2023	Group Head Assets / Deputy Chief Executive/ Chief Finance Officer	(i)TBC	PENDING outcome of DLUHC review. Linked to emerging Asset Management Strategy referred to at 3i. Finance and Assets are looking at other approaches as to how

APPENDIX B RISK ACTION PLAN REPRESENTING FURTHER MITIGATING ACTIONS (OPEN)

COMPLETED ACTIONS ARE SHADED IN GREEN, CONTINUOUS ACTIONS ARE IN BLUE, NEW ACTIONS ARE IN PINK. OVERALL ACCOUNTABILITY ASSIGNED TO MANAGEMENT TEAM AND RESPECTIVE COMMITTEE

	access in the future which could in turn impact financial resilience.				schemes could be delivered with reduced borrowing (maximising grants, joint ventures, sales of individual residential units etc)
4.FINANCIAL RESILIENCE AND COMMUNITIES	4i. Progressing medium term financial strategy and efficiency savings plan in addressing budget deficit	March 2023	All Senior Management & Chief Finance Officer/Chief Accountant	(i)TBC	IN PROGRESS Following completion of close of accounts on time, services are currently completing Service Plans which will then feed into the refresh of the Outline Budget projections this summer and the detailed budget. Update on Budget position being shared at all councillors Budget Briefing
5.TREASURY MANAGEMENT	5i. Finalisation of the Council's borrowing strategy with Treasury Management Advisors in the context of the challenges presented in the current financial environment	October 2022	Deputy Chief Executive/ Chief Finance Officer *Action reviewed by Deputy Chief Executive (CFO) in February 2023 & 2.6.23*	(i)December 2022 (ii) Revised June 2023	ONGOING. This exercise is completed and continues to coincide with the relevant period / financial year. The status will therefore remain as ongoing.

APPENDIX B RISK ACTION PLAN REPRESENTING FURTHER MITIGATING ACTIONS (OPEN)

COMPLETED ACTIONS ARE SHADED IN GREEN, CONTINUOUS ACTIONS ARE IN BLUE, NEW ACTIONS ARE IN PINK.
OVERALL ACCOUNTABILITY ASSIGNED TO MANAGEMENT TEAM AND RESPECTIVE COMMITTEE

6. SUSTAINABILITY & CLIMATE CHANGE	6i Following approval of the £747k Green Initiatives Fund as part of the Council's 2021/22 Budget, recommendations to be made as to how to apply that fund including provision for salary of climate change officer post.	March 2021	Lead Officer - Group Head Commissioning & Transformation (Sandy Muirhead) *Action reviewed by Group Head Commissioning & Transformation 10.2.22, 26.10.22, 27.2.23, 1.6.23*	(i)June 2021 (ii)Revised October 2022 (iii)Revised March 2023 (iv)Revised June 2023	IN PROGRESS Bids for the Green Initiatives fund submitted to date cover a range of topics and more will be brought forward to Environment and Sustainability Committee over the next year including solar panels, wildflower meadows, development of biodiversity and mitigation of flood risk for Sweeps Ditch in Staines Park.
6. SUSTAINABILITY & CLIMATE CHANGE	6ii. Training is being arranged to raise awareness and enhance understanding of Climate Change issues across the Council (staff and Councillors).	June 2022	Lead Officer - Group Head Commissioning & Transformation (Sandy Muirhead) reviewed 26.10.22, 27.2.23, 1.6.23.	(i)September 2022 (ii) Revised June 2023 (iii) Revised December 2023	IN PROGRESS Training delivered to initial group of staff September 2022 and being rolled out in 2023 to all staff. As of May 2023, 55 staff have undertaken the training with positive feedback.

APPENDIX B RISK ACTION PLAN REPRESENTING FURTHER MITIGATING ACTIONS (OPEN)

COMPLETED ACTIONS ARE SHADED IN GREEN, CONTINUOUS ACTIONS ARE IN BLUE, NEW ACTIONS ARE IN PINK.
OVERALL ACCOUNTABILITY ASSIGNED TO MANAGEMENT TEAM AND RESPECTIVE COMMITTEE

					As part of the induction process Councillors will be provided with training on Climate Change in June 2023.
7. CORPORATE CAPACITY, RESOURCES, RECRUITMENT AND RETENTION	7i. Monitoring impact of departure of experienced officers and managing associated loss of organisational knowledge and talent. Review of staff retention measures to reduce and mitigate the risk of staff departures.	March 2021	ALL / Group Head Commissioning & Transformation (Sandy Muirhead) *Action reviewed by Group Head Commissioning & Transformation 10.2.22/26.10.22 /February 2023, 1.6.23*	Continuous action	ONGOING Spelthorne are Members of Southeast Employers newly formed Reward and Recognition Network to share best practice and learn from new initiatives. Recruitment and retention are a widespread problem within local authorities in the south east. Establishment Review of the Council is nearing completion in July 2023.
7.CORPORATE CAPACITY, RESOURCES,	7ii. The continuation of excessive workload pressures generated by strategic political steers (including	February 2022	Management Team *Group Head Commissioning &*	Continuous action	ONGOING & IN PROGRESS

APPENDIX B RISK ACTION PLAN REPRESENTING FURTHER MITIGATING ACTIONS (OPEN)

COMPLETED ACTIONS ARE SHADED IN GREEN, CONTINUOUS ACTIONS ARE IN BLUE, NEW ACTIONS ARE IN PINK. OVERALL ACCOUNTABILITY ASSIGNED TO MANAGEMENT TEAM AND RESPECTIVE COMMITTEE

RECRUITMENT AND RETENTION	strategic planning, finance and assets), exacerbated further by the Committee system of Governance and demands arising from new schemes / initiatives in supporting communities needs to be kept under regular review in view of the significant risk implications (as set out on the Corporate Risk Register at Appendix 1).		*Transformation (Sandy Muirhead) reviewed action in February 2023 and 1.6.23*		CPRC agreed for an Establishment Review of the Council to be undertaken. This is nearing completion in July 2023. Recommendations of the LGA Corporate Peer Review need to be addressed. Report on action plan going to Corporate Policy and Resources Committee on 26th June.
7.CORPORATE CAPACITY, RESOURCES, RECRUITMENT AND RETENTION	7iii. Continue to explore new and innovative recruitment and retention strategies in a competitive market.	February 2022	Group Head Commissioning & Transformation (Sandy Muirhead) and HR Managers *Action reviewed by Group Head Commissioning & Transformation (Sandy Muirhead)*	(i)June 2022 (ii)Revised October 2022 (iii)Revised February 2023 (iv)Revised July 2023 (v)Revised September 2023	IN PROGRESS Collaborative working with professional groups such as Southeast Employers to explore options and strategies. This is a 'work in progress.'

COMPLETED ACTIONS ARE SHADED IN GREEN, CONTINUOUS ACTIONS ARE IN BLUE, NEW ACTIONS ARE IN PINK. OVERALL ACCOUNTABILITY ASSIGNED TO MANAGEMENT TEAM AND RESPECTIVE COMMITTEE

			24.6.22/26.10.22/February 2023 and 1.6.23.		
8.EQUALITY, DIVERSITY, AND INCLUSIVITY	8i. Produce an Equality, Diversity, and Inclusivity Strategy for the Council. This will provide a more robust structured approach in delivering and embedding essential, principles, standards, and requirements in promoting equal opportunities, diversity, and inclusivity.	October 2022	MAT hold overall accountability and will need to assign a lead Officer to support production of a strategy together with appropriate resources. *Action reviewed by Group Head Commissioning & Transformation (Sandy Muirhead) - February 2023 and 1.6.23*	(i)March 2023 (ii)July 2023 (iii) October 2023	IN PROGRESS Statement of Intent and equality objectives produced as a first step, and internal and external website updated. Progression is dependent upon establishing resources to take forward.

<u>COMPLETED ACTIONS IN GREEN SINCE LAST REVIEW OF THE CORPORATE RISK REGISTER</u>

RISK CATEGORY REFERENCE (AS IN THE CRR)	ACTIONS (SMART)	DATE ACTIONS ADDED	LEAD OFFICER DATE ACTIONS REVIEWED & WHOM BY	TIMELINE FOR DELIVERY (INCLUDES ALL REVISED TARGET DATES)	STATUS (COMPLETED) (REPORTED STATUS AT JUNE 2023)

APPENDIX B RISK ACTION PLAN REPRESENTING FURTHER MITIGATING ACTIONS (OPEN)

COMPLETED ACTIONS ARE SHADED IN GREEN, CONTINUOUS ACTIONS ARE IN BLUE, NEW ACTIONS ARE IN PINK. OVERALL ACCOUNTABILITY ASSIGNED TO MANAGEMENT TEAM AND RESPECTIVE COMMITTEE

1a. HOUSING – Development & Targets	1a (ii). Greater strategic direction for Knowle Green Estates (KGE) will support progress in delivering Council priorities, development targets and addressing housing needs (affordable and general).	October 2021	Lead - Management Team *Action reviewed by Chief Finance Officer, 14.10.22, February 2023, 2.6.23*	(i)March 2022 (ii)Revised – September 2022 (iii)Revised January 2023	COMPLETED Extraordinary Council meeting on 02 February 2023 agreed a new strategic approach to ensure Council's residential delivery plan remains financially sustainable on a long-term basis and in turn protects KGE's sustainability. At June 2023, a process is underway for KGE to become a Registered Provider.

Audit Committee

27 July 2023

Title	Annual Internal Audit Report & Opinion for 2022/23
Purpose of the report	Punita Talwar, Internal Audit Manager
Report Author	All Wards
Ward(s) Affected	No
Exempt	Not Applicable
Exemption Reason	N/A
Corporate Priority	All Priorities: Community Affordable housing Recovery Environment Service delivery
Recommendations	**Committee is asked to:** 1. Note the Annual Internal Audit Report for 2022/23. 2. Note the annual audit opinion on the Council's internal control environment, risk management and governance arrangements.
Reason for Recommendation	Not applicable

1. Summary of the report

1.1 The Internal Audit Manager at Spelthorne is responsible for delivering an annual audit opinion and report that can be used by the Council to inform and support its annual governance statement. The opinion represents a key source of assurance for the authority, considered by External Audit, the Audit Committee, Corporate Management Team and other stakeholders.

1.2 This report seeks to summarise Internal Audit findings and sets out the independent audit opinion for the 2022/23 period. This opinion relates to the Council's systems of internal control, risk management and governance arrangements.

2. Key issues

2.1 The purpose, authority and responsibility of the Internal Audit activity is set out in the approved audit charter of November 2022 which highlights fundamental principles around independence and objectivity. The role of Internal Audit is summarised through its definition and mission statement within the Public Sector Internal Audit Standards (PSIAS).

Mission – To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

Definition - An independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes

2.2 In providing an opinion on the adequacy of the authority's internal control environment, risk management and governance arrangements and assessing the overall level of assurance to be given for 2022/23 , this has been based on the following:

(a) Written reports and Position Statements of all Internal audit work completed relating to the approved risk-based audit plan for 2022/23. Internal Audit provided assurance across 12 review areas (1 unplanned area). Two review areas did not include a formal audit assurance opinion (overall conclusion) as the work was more advisory focussed whilst still raising recommendations for improvement or drawing out matters for management attention.

(b) Matters arising from planned assurance reviews underway and being finalised (2 review areas)

(c) Audit advisory and support work

(d) Audit follow up exercises undertaken.

(e) Other sources of assurance including the Corporate Risk Register and Wider Externalities Risk Assessment

(f) Consideration of wider sources of assurance from corporate reviews undertaken by external bodies (for purpose of forming the annual audit opinion much greater reliance has been placed on points a to e)

Annual Audit Opinion

2.3 There are not considered to be any impairments or limitations in the scope of internal audit for the 2022/23 financial year that have adversely impacted forming an independent audit opinion. The audit opinion of the Internal Audit Manager for the 2022/23 period is set out below.

Annual Internal Audit Opinion 2022/23

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

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

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

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

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

Punita Talwar
Internal Audit Manager (Chief Audit Executive, Spelthorne Borough Council)
Chartered Internal Auditor (CMIIA)

May 2023

The annual audit opinion should be considered in conjunction with the key themes and issues arising from Internal Audit's work along with other key assurance sources as this provides greater insight, set out below at paragraph 2.4. Sections 1 to 4 of the table at paragraph 2.4 represent the more critical themes/issues/risk areas and these are also highlighted in the Annual Governance Statement. They are also reflected in the Council's Corporate Risk Register.

More detailed reference to Internal Audit's work for 2022/23 across a range of assurance and wider work categories is included at Appendix 1. Under work category A – Objective assurance assignments for 2022/23, an 'open' or 'closed' status is recorded against each area. An ‘open’ status is granted where agreed audit recommendations are assessed as outstanding/underway/to be addressed rather than implemented which would denote a ‘closed’ status for the audit.

2.4 Key themes and issues arising from Internal Audit’s work 2022/23

Issues Identified/Risk Implications Relates to 2022/23 Period	**Action and status**
1.Wider Externalities The ongoing significance of wider externalities such as the macro-economic environment (elevated inflation, accelerated interest rates and cost of borrowing), and geopolitical uncertainty from the Ukraine war have continued to exacerbate the Council’s financial challenges in delivering corporate priorities, coinciding with rising service pressures in supporting communities during a Cost-of-Living crises. Inevitably, the Council cannot exert control or influence over the direction of these evolving wider externalities and therefore the extent to which it can reduce, control, or mitigate such risks remains limited.	***Management Action*** *(i) The broad risk categories significantly impacted by these externalities were prioritized by the Internal Audit Manager for the purpose of reporting on the Council’s risk exposure to wider externalities. These include the Council’s economic prosperity, financial sustainability, and supporting local communities and refugees in the provision of housing need.* *(ii)The local mitigation measures and prioritised actions to alleviate the identified risks have been drawn out in the Wider Externalities risk assessment and summary report (reported to the Audit Committee throughout 2022/23). Going forward such analysis will continue to be incorporated into the Strategic (Corporate) Risk Register given externalities underpin understanding around the causes, consequences, and wide implications of many of the Council’s significant risk categories.*
2.Financial Risk Wider externalities and other factors continue to present increased financial risk to the Council considering the significance of increased borrowing costs and elevated inflation in delivering a range of strategies and schemes (Housing Delivery programme is a pivotal area), which may lead to a detrimental impact on the communities it serves. Financial risk remains a strategic theme carrying high impact across several risk categories on the Council’s Corporate (strategic) risk register. Ongoing financial challenges and	***Management Action*** *Please refer to the Council’s Corporate Risk Register and Risk Action Plan for a range of high-level actions underway in alleviating the ongoing financial challenges. This includes progressing the medium-term financial strategy and efficiency savings plan in addressing anticipated budget deficits for 2024/25 to 2026/27.*

pressures continue to have a significant impact on the Council's budgetary position and financial sustainability in delivering corporate priorities and services.	
<u>3.Commercial Assets</u> The post-pandemic landscape, turbulent economic environment and geopolitical situation have presented contributory factors leading to tenancy departures and void periods, with increased void rates during 2022/23 across the Council's commercial investment portfolio. It is acknowledged that sinking fund reserves support the Council's risk management strategy and may be drawn upon to mitigate and reduce the impact of any break clause/ non lease renewal occurrence in managing void periods and income shortfalls. In continuing to fund Council services, robust tenancy management remains key in securing and maximising these vital revenue streams.	***<u>Management Action</u>*** *The Council's ongoing management of rental voids and securing new tenants remains pivotal with proposals having been put forward to a prior CPRC in addressing the largest single void with a view to reducing the vacancy rate (previously anticipated rate of approx. 10% by end of June 2023).* *The Risk Action Plan in the Corporate Risk Register refers to producing a strategy for the longer-term relationship management of existing tenants occupying commercial properties with a view to reducing associated risks of tenant departures. This action will form part of the new overarching Asset Management Strategy being developed and due to be reported to Corporate Policy & Resources Committee in Autumn 2023.* *Wider risk mitigation measures continue for the Council's investment portfolio including plans to extend sinking fund modelling and developing an action plan in addressing the Public Interest Report (PIR) recommendations with a view to driving improved risk management and performance management, to be presented to July Audit Committee and a future Development Sub Committee.* *Spelthorne are participating in a review of capital risk mitigation with CIPFA and DLUHC and will pursue any recommendations that may arise.*
<u>4.Recruitment and Retention</u> In the context of a challenging and competitive labour market, unsuccessful recruitment and ongoing unfilled vacancies remains	***<u>Management Action</u>*** *Refer to the Corporate Risk Register and related risk action plan.* *Corporate Establishment Review (2023).*

an issue for the authority, leading to reduced availability of technical skills and relevant expertise is spread more thinly across Services, as well as increased costs if backfilling posts through employment agencies. Staff shortages further exacerbate workload pressures across teams and may lead to increased staff fatigue / burnout / sickness levels arising.	
5.New Schemes implemented at speed. In response to the Cost-of-Living crises there have continued to be several government grant schemes and household support funds administered at speed in providing timely financial support to communities. Where there are tight timeframes and high volumes to turnaround, this could present increased risk of erroneous, duplicate and fraudulent transactions (resulting in financial losses and reputational impact), particularly if core internal control processes are not applied and mapped out in advance.	***Management Action*** *In continuing to safeguard public funds and the Authority's interests a general guide is available to support Managers in planning for implementation of new/future grant schemes or community support funds (should they arise). It is intended to promote a structured approach and advocates core internal control principles around segregation of duties, authorisation, transparency of decision making, documentary evidence, due diligence.*
6. Corporate insight into organisational culture In the context of Whistleblowing, whilst it is recognised that the Council has received only a few whistleblowing concerns in the last few years, the channels through which staff can raise concerns should be better co-ordinated and aligned to provide improved corporate insight into the nature and types of concerns raised. This would help to future-proof systems and processes to form a more accurate picture of any emerging patterns around conduct or behaviours to support any remedial actions.	***Management Action:*** *One of the measures proposed in moving this forward includes quarterly meetings between the Council's Monitoring Officer and Human Resources team. These have commenced.* *Improved processes may over time, provide the Monitoring Officer and Corporate Management Team with common themes and patterns, to then identify and monitor improvement actions in ascertaining any positive impact.*
7. Health and Safety Central reporting, recording and capturing of near-misses, incidents,	***Management Action:*** *An action plan with target dates has been produced by the Health and Safety team in addressing the internal audit recommendations*

accidents, and risk assessments requires improvement across Services. This will support progression of proactive risk management opportunities to minimise and prevent reoccurrence. Where actions have been identified from risk assessments for high-risk areas such as Legionella and asbestos, robust management plans and reporting mechanisms need to be in place to ensure these are completed.	*around cascading important messages to all staff through the Corporate Risk Management Group which has Group Head representation, organised training for Health and Safety representatives, maintaining a central record to report risk assessments/accidents and incidents/near misses/inspections in line with the Council's Health and Safety Policy and producing further management information reports to drive compliance.* *Audit recommendations relating to Health and Safety have also been raised as part of other assurance/ advisory reviews.*
8. Technical expertise and ownership (application systems) There has been a reduced level of dedicated resource available for technical and system duties within the Customer Services team (was vacant Systems Administrator post for significant period of time). This team have continued to go through a transitional period and restructure. It is acknowledged that other officers may have stepped in to support critical service delivery, albeit prolonged unstable environments are not conducive to embedding system ownership and accountability. Scope to enhance overall accountability and ownership for another key Council application system has also been identified.	***Management Action*** *Customer Services restructure underway/undergone.* *A System Administrator has been appointed and is now in post (Customer Services, Academy).* *General guidance (recommendations) has been produced by Internal Audit as an aid to support good practice across all Council application systems. This incorporates expected standards or requirements around account management, vendor support, user access review and reporting structures.*

3. Options analysis and proposal

3.1 There are no options being raised.

4. Financial implications

During 2022/23, a total of 410 suspected fraud referrals were passed to Reigate and Banstead's Counter Fraud team for investigation, with 409 cases reported as reviewed. Overall fraud losses prevented/detected for the financial year 2022/23 amount to £265k (rounded). This incorporates both notional and cashable savings. It is based on notional financial savings/methodology set by the NFI (Cabinet Office) derived from their estimated financial savings/losses to the public purse across each of the high-risk public fraud categories and is broken down in the table below.

Category	Homeless and Prevention based on NFI (Cabinet Office) saving of £3240 per case	Social Housing based on NFI (Cabinet Office) saving of 93,000 per case	Housing Register based on NFI (Cabinet Office) saving of £3240 per case £	Housing Benefits and Council Tax Support (CTS) based on NFI methodology	Council Tax Discount (CTD) based on NFI methodology	Totals
£ Notional savings to the public purse / losses prevented or detected	81,000	93,000	38,880	44,507	7,320	264,706 265,000 rounded
Proportion of notional savings quantified as cashable savings	Nil reported	Nil reported	Nil reported	39,977 - HB 4,529 – CTS	7,320	51,826
Proportion of quantified cashable savings to Spelthorne	Nil reported	Nil reported	Nil reported	39,977 - HB 498 based on 11% for CTS.	805 based on 11% for CTD	41,280
Proportion of annual return figure for 2022/23	30.6%	35.1%	14.6%	16.8%	2.7%	

5. Risk considerations

5.1 Please refer to the table under section 2.4 for key themes, issues, and risk implications for the Council, highlighted through the work of Internal Audit (relating to 2022/23) including how these will be addressed or mitigated. Implementation of audit recommendations will reduce risks for the authority and enhance the robustness of the control environment which is acknowledged by the Councils Management Team and the Audit Committee.

5.2 Failure to undertake internal audit work to the required professional standards reduces the level of compliance with the mandatory Public Sector Internal Audit Standards (PSIAS). It would also lessen the reliability of assurance provision to the Council regarding the effectiveness of control systems in place and could result in an increase in the Council's annual external audit fee. Whilst External Audit cannot place reliance on the work of Internal Audit, discussion and insight may inform aspects of work programmes.

6. Procurement considerations

6.1 There are none being raised as part of this report.

7. Legal considerations

7.1 The Public Sector Internal Audit Standards (PSIAS) are mandatory further to the Accounts and Audit (England) Regulations 2011. Production of an annual audit report and annual audit opinion forms a requirement under PSIAS.

8. Other considerations

8.1 The refreshed assurance opinion model (overall conclusion for audit assurance engagements) was introduced from January 2023. A separate report advising of this change was included on the March agenda of the Audit Committee which is now due to be presented in July. As Internal audit reporting coincides with the financial year rather than the calendar year, this annual audit report for 2022/23 has for purposes of consistency referred to the equivalent assurance opinion under the new model. For example, where an audit assignment was granted a 'Some Improvement Needed' rating under the prior model this has now been referred to as 'Reasonable Assurance,' whilst a 'Major Improvement Needed' rating under the prior model has been referred to as 'Limited Assurance'. This can be seen at Appendix 1.

9. Equality and Diversity

9.1 During 2022/23, an additional risk category for Equality, Diversity and Inclusivity was included on the Corporate Risk Register, along with a risk improvement action.

10. Sustainability/Climate Change Implications

10.1 There is inclusion on the Council's Corporate Risk Register, given that it represents a significant strategic risk category.

11. Timetable for implementation

11.1 Implementation of audit recommendations and audit status (open or closed) will continue to be periodically monitored as part of the follow up process.

12. Contact

12.1 Punita Talwar, Internal Audit Manager. P.Talwar@splethorne.gov.uk.

Background papers:

Internal audit reports
Internal audit working papers
Correspondence or discussions on risks and controls/issues arising
Audit Advisory and support work
Corporate Risk Register (published)
The Council's risk exposure to Wider Externalities - risk assessment (published)
Counter Fraud Returns

Appendices:
Appendix A – Work areas undertaken by the Internal Audit team relating to 2022/23

This page is intentionally left blank

CATEGORY A. 2022/23 OBJECTIVE ASSURANCE ASSIGNMENTS AND ADVISORY REVIEWS				
Area	**Assurance Opinion**	**Accountable Officer**	**Recommendation summary**	**Status (Open or Closed)**
1. Safeguarding Final report – November 2022	Reasonable Assurance	Deputy Chief Executive	Recommendations raised relate to liaising with Surrey County Council for them to provide a consistent record of the outcome of every safeguarding referral and ensuring this is designed into joined up processes. This will demonstrate a greater level of management assurance around outcomes.	**Open –substantially progressed. (Updates received from Service area May and June 2023)**
2. KGE - Health and Safety (Unplanned additional work area - Advisory Review) Position Statement September 2022	**N/A – Position Statement**	Deputy Chief Executive / KGE Board	Recommendations focussed on monitoring mechanisms and reporting compliance arrangements have been raised and discussed with the lead officer. Recommendations were agreed and discussed with KGE Board.	**Open (Updates received from Service area May 2023)**
3. Recruitment and Retention Position Statement July 2022	**N/A – Position Statement**	Group Head Commissioning & Transformation	The Position Statement acknowledged established controls and measures underway (also set out in the Corporate Risk Register). It was deemed more appropriate to periodically ascertain any key developments in this area given that	**N/A**

			mitigating measures to alleviate significant recruitment and retention challenges form a 'Work in Progress'. Internal Audit gave some further advice around risk considerations in planning for the Corporate Establishment Review.	
4. Business Support Grants (ARG / Omicron) Final report – November 2022	Limited Assurance	Group Head Place, Protection and Prosperity / Group Head Commissioning & Transformation	It was agreed that going forward in continuing to safeguard public funds and the Authority's interests it would be useful to draw up a checklist of key actions that may be required should further schemes of this nature arise again. This could be applied across relevant departments of the Authority. Several control measures are set out in the full audit recommendation and have been discussed with key service leads for application as necessary/practical.	**Closed (Updates received from Service areas May 2023)**
5. Corporate Health and Safety Final report – March 2023	Limited Assurance	Group Head Place, Protection and Prosperity / Senior Environmental Health Manager	Recommendations relate to improved central recording and reporting of Health & Safety incidents, accidents and near misses, proactive monitoring in mitigating risk of occurrence, Health & Safety training, and reporting to support management oversight of	**Open**

			compliance. An action plan timeline has been produced to address audit recommendations.	
6. Commercial Assets and Investments Final report – June 2023	Reasonable Assurance	Group Head Assets	Recommendations relate to establishing and developing an overarching and cohesive tenancy management strategy for the commercial investment portfolio that incorporates relevant components, refreshing the business plans and reiterating one of the key recommendations from the prior 2021/22 audit regarding integration with the Council's main financial system. The audit acknowledged at the time that the Public Interest Report Action Plan was underway.	**Open**
7. Business Rates Final report – March 2023	Limited Assurance	Group Head Commissioning & Transformation	Recommendations will be taken further forward by the Group Head Commissioning as part of the restructure of Customer Services or shortly thereafter. These include addressing service resilience issues as well as reinstating some key control processes around collection and recovery of Business Rates such as review of suppressed accounts and	**Open** **(Updates received from Service area May 2023)**

			exemptions applied, and timely write off arrangements.	
8. ICT – Applications Audit Final report – June 2023	Reasonable Assurance	Group Head Commissioning & Transformation	A discussion has taken place with relevant Group Heads and the ICT Manager to convey the key matters from the audit. It is recommended that the actions be applied as best practice to all application systems, together with documented supporting roles and responsibilities, in continuing to promote ownership across service area leads and system owners.	**Open**
9. Confidential Reporting Code (Whistleblowing) Final report – March 2023	Reasonable Assurance	Group Head Corporate Governance (Monitoring Officer)	Recommendations highlighted that the channels through which staff can raise concerns should be better co-ordinated and aligned to provide improved corporate insight into the nature and types of concerns raised in determining over time any emerging patterns around conduct or behaviours to support any remedial actions. This would also support periodical oversight of due policy/processes adhered to.	**Open (Updates received from Service area May 2023)**
10. Air Quality Final report – February 2023	Reasonable Assurance	Group Head Place, Protection and Prosperity / Senior Environmental Health Manager	The audit review highlighted that development of the AQAP remains in progress with plans to publish in 2023/24. There are various factors being taken into account in finalising	**Open**

			the action plan. Other emerging risk implications were also acknowledged regarding new government guidance.	
11. Creditors Draft report - May 2023	Reasonable Assurance	Chief Accountant and Creditors/Income Manager.	The review has incorporated data analytics methodology in the provision of assurance which supports modern audit practices. There have been several stages in undertaking this review. Recommendations raised with a view to further enhancing controls in managing duplicate payment issues and minimising risks of occurrence.	**Open**
12. Responsive and Planned Maintenance Final report –June 2023	Reasonable Assurance	Group Head Assets	Recommendations raised include developing a set of quantifiable measurements of performance (KPI's) to enhance the effectiveness of monitoring Building Services performance against expected targets and outcomes and introducing a status record to indicate any health and safety actions progressed.	**Open**
13. Finalisation of audit assurance reviews from 2021/22	Previously reported	Various Managers	Recommendations have been raised and discussed and final reports signed off/issued. Recommendations have been reported to the Audit Committee previously.	**A follow up drive is underway to determine the status of all 2021/22 audit recommendations and where sufficient time has elapsed several 2022/23 audit**

				recommendations.
2022/23 - OBJECTIVE ASSURANCE ASSIGNMENTS SUBSTANTIALLY PROGRESSED				
• Property Development and Planning cross cutting review. • Procurement. Audit commenced in Q1 2023/24 to accommodate service preference.				
CATEGORY B. OTHER ASSURANCE & ADVISORY WORK, CORPORATE ROLES & RESPONSIBILITIES				
1.CORPORATE RISK MANAGEMENT				
Analysis and reporting by the Internal Audit Manager on the Council's Corporate Risk Register representing the Council's most significant strategic risks. In promoting collective ownership and greater visibility of these risks, reports are also presented to Corporate Policy and Resources Committee further to meetings of the Audit Committee. This reporting has continued to evolve and develop in several ways, including format and presentation of the risk register, reinforcing best practice approaches to assessing risk in line with the Council's risk management policy, and the re-introduction of a direction of travel on RAG status (assessed level of risk) and risk scoring to support				

Member feedback. Initial exploration of risk management software and systems with a scoping document produced and discussions continue with ICT.
2. THE COUNCIL'S ADOPTION OF A RISK APPETITE FRAMEWORK (RAF)
Delivered soft implementation of the Council's adoption of a Risk Appetite framework and promoted ongoing development through reporting and communications. The Internal Audit Manager continues to report on the ongoing development of a RAF to the Corporate Risk Management Group (CRMG), Management Team and the Audit Committee, and a proposed implementation timeline has been reported in July. The soft implementation phase has progressed well in terms of integration with the service planning process to promote familiarization with the concept and ascertain where each Service across the authority has positioned their risk appetite in relation to 'Service Provision'. Observations have been highlighted in terms of how this compares with the initial Officer assessment of where the Council's risk appetite is most likely to be positioned for 'Service provision'. Await steer for the most opportune timing for the next phase of the implementation plan in terms of discussions with Members in setting an overall risk appetite for Spelthorne.
3.COUNTER FRAUD
Coordination and reporting of counter fraud outcomes and initiatives for tackling high risk public fraud through continued collaborative working with other services and partners. Providing advice and oversight to ensure that processes for documenting and raising referrals as well as monitoring continue to remain robust. The Internal Audit Manager prepared an analysis of returns and savings achieved across high-risk fraud categories in the annual audit report of July 2022. Spelthorne's overall fraud savings/fraud losses prevented for 2022/23 amount to £265k (rounded) and this includes both cashable and notional savings. This is based on applicable financial savings advised by the NFI (Cabinet Office) across each of the high-risk public fraud categories.
4.AUDIT COMMITTEE AND REPORTING
Reports are produced and presented by the Internal Audit Manager in accordance with the Committee work programme. This ensures adherence to the mandatory Public Sector Internal Audit Standards (PSIAS) and there are several related processes that underpin these reports. This included for the period 2022/23:

a. Producing the evidence based annual audit opinion for 2021/22 in conjunction with the key themes and issues arising from Internal Audit's work as set out in the annual audit report. This feeds directly into the Annual Governance Statement which the Internal Audit Manager also had significant input to. b. Annual Review of Internal Audit Effectiveness c. The Council's risk exposure to wider externalities and the impact for the Council (reported at every Audit Committee meeting) d. Corporate Risk Register (reported at every Audit Committee meeting and extended to Corporate Policy and Resources from April 2022) e. The Council's adoption of a risk appetite framework f. Refreshed Internal Audit Plan (risk based) for 2022/23 g. Review and updating of the Audit Charter setting out the purpose, authority, and responsibilities of Internal Audit h. Internal Audit Plan (risk based) for 2023/24 I. Refreshed Counter Fraud, Bribery and Corruption Strategy j. Introduction of revised audit engagement opinions (produced and reported to Management Team, with deferred presentation to the July Audit Committee) Member Liaison and responses to questions raised.
5.AUDIT SUPPORT, ADVICE AND INSIGHT
Reactive and pro-active support, advice and insight provided to services, corporate groups and management team on various risk, control and governance issues. Attendance at Working Groups in an advisory capacity such as Corporate Risk Management Group, Procurement Board and the Corporate Debt Group.
6.GRANT CERTIFICATION WORK
In complying with central government grant conditions, there is a requirement for the Internal Audit Manager to undertake reasonable validation, review and assessment to enable signed declaration for submission and this was undertaken in two separate areas including COMF and Test and Trace payments.
7.OTHER TASKS IN SUPPORTING SERVICE DELIVERY

Corporate Processes – such as production and presentation of Service Plans to MAT/Admin Committee/CPRC; Budget monitoring; Performance management etc.
Team management /1-1's / Corporate Training and Continuous Professional Development/Contractor liaison/ Legal matters
8.CORPORATE REVIEWS BY EXTERNAL BODIES
Department of Levelling Up, Housing and Communities (DLUHC) review and Corporate Peer Review – interviewed and input

Audit Committee - 27th July 2023

Title	Public Interest Report Recommendations – Action Plan
Purpose of the report	To provide an update on the proposed actions to address recommendations in the Public Interest Report (PIR)
Report Author	Coralie Holman, Group Head of Assets and Paul Taylor, Chief Accountant
Ward(s) Affected	All Wards
Exempt	No
Exemption Reason	N/A
Corporate Priority	This item is not in the current list of Corporate Priorities but still requires a formal report to the Audit Committee.
Recommendations	**Committee is asked to:** To note and agree the proposed actions to address the recommendations in the Public Interest Report
Reason for Recommendation	To ensure Audit Committee have fully noted and agreed to the strategy for monitoring the rental income performance of the investment portfolio, mitigating risk and the suite of KPIs that determine the success of this performance and connected risk.

1. Summary of the report

1.1 On 8th December 2022, the Council considered and agreed a response to the recommendations made within the Public Interest Report (*PIR'*) issued by KPMG.

1.2 This report focuses on recommendations 4 and 5 only of the PIR report, where there are additional actions, the Council proposes to take, to address issues raised in the PIR report.

1.3 There are no specific additional actions to highlight with respect to recommendations 1 to 3 of the PIR report. The Council will; a) continue to seek appropriate legal advice when entering into transactions, b) continue to seek specific legal advice when entering into transactions of high value or unusual in nature and c) reports to councillors will continue to highlight the legal powers being relied upon, as previously agreed at Audit Committee.

1.4 Additionally, it should be noted the council has not made any investment asset acquisitions since 2018-19 and has no plans to make any further such acquisitions.

1.5 Recommendation 4 of the PIR set out "**The Council should develop its investment property portfolio modelling to bring these in line with the**

expected practice of an institutional investor. This should include robust stress testing and sensitivity analysis which incorporates scenarios that cover the highest level of risk for expenditure, revenue, tenant behaviour and external socio-economic factors. Consideration should also be given to the diversification of the portfolio and whether this should be addressed over medium to longer term."

1.6 Recommendation 5 of the PIR set out, **The Council should develop an action plan as part of the management of its investment portfolio which addresses each of the weaknesses identified in paragraph 6.9 (of the PIR). It was suggested this action plan should be linked to a portfolio risk register, which monitors each of the KPIs, tenant performance and risk to the debt repayment strategy for each investment property asset.**

1.7 On 23rd March 2023, a follow up report was taken to Audit Committee, where it was agreed an action plan would be developed to address recommendations within the PIR and reported back to Audit Committee in July 2023.

1.8 Finance and the Group Head of Assets have now developed an action plan, which was reported to the Development Sub Committee on 3rd July 2023. This plan sets out the approach to continue to monitor and action the risk attached to the Council's Investment Assets, refreshes the Sinking Funds earmarked reserves modelling over a fifty-year period, which centres on a suite of appropriate Key Performance Indicators (KPIs), linked to an Assets specific risk register with focus on tenancy performance and risk to the debt repayment strategy for each investment property asset. The plan will continue to be subject to input and review by the Development Sub Committee, with refinement and updates being made when necessary.

2. Key issues

2.1 The Council purchased 8 investment assets prior to Autumn 2018 as part of a Capital Strategy to generate sufficient long-term income to offset the impact of the disappearance of Government grants, to support the provision of services for residents.

2.2 The investment programme benefitted from low-cost fixed (which means the Council is not now exposed to the risk of the interest rates on those loans rising) interest rates to buy high quality investment assets which will generate an income stream. The income generated is significantly greater than the financing costs of which approximately £10m was used in 2022/23 to help maintain Council services, and moving forwards is budgeted to contribute £10m per annum to support the Council's Budget.

2.3 When the Council took the decision to purchase the assets, external expertise was used to inform decisions on specific acquisitions to purchase. The Council strategy was always extremely focused on identifying and managing risk. Only high-quality assets were acquired after extensive due diligence both on the assets and the tenants.

2.4 The Council's assets team proactively engaged with tenants during the COVID-19 pandemic to ensure tenants continued to pay rent and continues to employ this approach post covid to manage risk. The Council's investment assets have continued to perform extremely well despite the economic downturn. For 2020-21 financial year the Council collected 99% of the rental income invoiced, in 2021-22 we collected 99.8% of investment assets rent invoiced, currently for 2022-23 we have achieved 99,2% with more rent to be received.

2.5 Despite several challenges to the portfolio post-pandemic, the occupancy rate across the investment portfolio stands at 87.27% which is better than the industry benchmark for Southeast office assets (84%). During Financial Year (FY) 2023/2024 the occupancy rate will increase above 90%, as the vacant accommodation at 12 Hammersmith Grove is re-let. In addition, lettings are due to be completed on vacant space at Charter Building, Elmbrook House and 3 Roundwood Avenue.

2.6 The Council’s approach has been focussed on a long term ‘hold’ of the assets with financing and risk modelling being undertaken over a 50-year period. This modelling includes the future risk of their being dips in rental income when existing leases have break clauses exercised or end potentially resulting in dips of income when space becomes vacant and then rent-free incentives need to be offered.

2.7 The Council is setting aside sufficient funds in its sinking funds reserves to ensure that it can cover such dips in income without any impact on the Council's budget or council. During the pandemic and the “Cost of living crisis” the Council has continued to set aside funds from part of the rental income stream into sinking funds to ensure it has contingency funds to cover future potential dips in rental income. At the end of 2022/23, the funds in the sinking funds reserves totalled £37.8m. Our Finance team will actively manage the sinking fund to ensure the contingency funds remain at the appropriate level.

2.8 The Council has always had an asset management strategy that sets out how it proactively manages all its assets to ensure they continue to perform well, and all risk is appropriately managed. The KPMG PIR provided an opportunity to reflect on how our assets are performing 5 years after the initial acquisitions and ensure our asset management strategy continues to be robust to manage the risk associated with our investment portfolio.

2.9 This report focuses solely on sinking funds modelling, the KPIs, associated risk register for investment assets and management of our tenant performance to minimise risk and set out the debt repayment strategy for our assets, however in the Autumn a further report will be taken to Corporate Policy and Resources Committee updating our Asset Management Strategy (AMS) to which the individual Asset Investment Strategies and Business Plans form part of. The AMS will also set out how KPIs are monitored to demonstrate how the assets are performing, plus how this will be reported.

2.10 Sitting under the Asset Management Strategy are a suite of specific investment specific documents that set out the portfolio Asset Investment

Strategy (AIS) (Appendix 1) for the forthcoming 12 months. This strategy includes Asset specific appendices (Appendix 2) and is supplemented by Asset specific Business Plans which look at the longer 3–5-year period. The management approach set out in these documents is linked to the agreed Key Performance Indicators (Appendix 3). These KPIs are captured within the risk register (Appendix 4) which shows the associated risk scoring before the management strategy is applied and the reduced risk with the management approach in operation. These KPIs will be reported on going forward twice yearly if agreed.

2.11 At the Corporate Policy & Resources Committee meeting held in February 2023, the Committee agreed to the following:

(a) The Sinking Fund Policy, which will be reviewed every five years or earlier in the event of a material change (Appendix 5).

(b) The Sinking Fund is to cover unplanned short-term issues, to minimise risk, protect the Council's Revenue Budget and Council Taxpayers from exposure to short term dips in rental income and build sufficient cash backed reserves to provide the Council with future options, which may include funding refurbishments (net of dilapidations) development and or sale of any of the current property portfolio, in particularly in 14 years' time, when BP could exercise their lease break and vacate the entire site at Sunbury**.**

2.12 Officers agreed to develop a 50-year model of the Council's Sinking Funds to further define and produce more detailed scenario planning, so that Council could review and agree:

(a) The annual contribution to the Council's revenue budget (General Account)

(b) The annual contribution to be made into the Sinking Fund from the General Account

(c) The annual payments to be made from the Sinking Funds to the General Account.

(d) The level of the Sinking Fund balance to meet future Council objectives, plans and contingencies.

3. Asset Portfolio Management Action Plan

3.1 The Investment Assets Portfolio Risk Register (Appendix 4) sets out the key risks to the Council if the investment portfolio is not managed effectively. This document also sets out our approach to manage each of those risks, with scoring methodology used to demonstrate the level of risk pre and post mitigation action.

The mitigation actions set out the basis of our management strategy to ensure the portfolio is effectively managed to protect our income from the assets. In summary this mitigation is a proactive approach to understanding the performance, needs and plans of our tenants. This is achieved via:

- regular and early engagement in respect of lease events i.e., break options and lease renewals.

- external checks on tenant performance financial strength
- regular engagement with external consultants in respect of market conditions, tenant demand and rental levels.
- instructing external expertise where necessary i.e., letting of new space
- Annually prepared Investment Strategies for each asset, together with medium term 3–5-year business plans, all informed by (a) – (d) above.
- Regular budget setting and monitoring over a 5-year period, based upon the information within the AIS and business plans.
- Using budget information and lease event data to prepare sinking fund projections and budgets.

3.2 The documents within the appendices set out an approach that supports an annual review of the portfolio performance, together with focused actions for the forthcoming 12-month period and a medium-term view on the future of the asset, tenants, and void costs.

3.3 The performance of each asset can be measured via a robust set of KPIs, linked to the risk register demonstrating the increased risk without a proactive management approach being adopted.

3.4 The development of the 50-year financial model, will provide even greater confidence that the Council will be able to manage its Investment and Regeneration portfolio properties and ensure that it will continue to provide the annual revenue contribution to support services, housing and regeneration plans in the Borough over the coming years.

4. Options

4.1 Option 1 – Agree the action plan, subject to continued input and review by the Development Sub Committee, to adopt a robust asset and tenancy management strategy that manages tenant risk, reduces void periods and empty premises costs, and delivers certainty of income receipt which supports the debt repayment strategy set out for each asset. Approve the proposed KPIs. **This is the recommended option.**

4.2 Option 2 – Develop an alternative action plan to manage tenant risk. **This option is not recommended** on the basis the action plan set out within this report is comprehensive, robust and includes the recognised measures and industry standard approach to understanding tenant risk and performance.

4.3 Option 3 – Do not formally record an action plan to set out the approach for managing tenant risk, which in turn allows tenant failure, tenant vacation of premises and other indicators that impact on the certainty of rental income to be forecast in advance. Instead rely on there being strong market demand with financially sound occupiers to move into accommodation as space becomes vacant. **This option is not recommended** as it will impact on certainty of income, with longer than necessary void periods and vacancy costs having to be incurred by the council.

5. Financial implications

5.1 The PIR Action Plan is intended to build on existing arrangements and further enhance our ability to mitigate and manage financial risk.

5.2 By developing the 50-year model, Council will be able to advise Officers of their strategy and how they would propose to grow the Sinking Fund Reserves, to meet the Council future aspirations for the Borough, particularly in 2036.

6. Risk considerations

Please refer to the risk register in Appendix 4.

7. Legal considerations

7.1 The Local Audit and Accountability Act 2014 ("2014 Act") governs and prescribes the way in which the Council should deal with an external auditor's formal Report in the Public Interest.

7.2 The recommendation in this report demonstrates that the Council has considered the Public Interest Report in accordance with the 2014 Act and is taking the necessary action to address matters raised regarding management of the investment portfolio in a longer-term financial model.

8. Other considerations

None.

9. Equality and Diversity

N/A

10. Sustainability/Climate Change Implications

The performance and expenditure in relation to our portfolio is where appropriate and cost effective to do so based on implementing 'green' and sustainable initiatives that support the on-going effective day to day running of the portfolio.

11. Timetable for implementation

Immediately

Autumn – Asset Management Strategy report to be considered by CPRC

12. Contact

Coralie Holman (c.holman@spelthorne.gov.uk) and Paul Taylor (p.taylor@spelthorne.gov.uk)

Background papers: Appendix 1 Asset Investment Strategy
Appendix 2 Asset Business Plan Summary Template
Appendix 3 Key Performance Indicators
Appendix 4 Portfolio Risk Register
Appendix 5 Sinking Fund Policy

Appendix 1

PORTFOLIO ASSET INVESTMENT & REGEN STRATEGY
APRIL 2023 – MARCH 2024

1. Portfolio Overview (as at 31 March 2023)

No of assets	11 (8 Investment & 3 Regeneration)
No of tenants	97 across all assets
Rental income	£46.16m per annum (sinking fund, debt servicing, revenue contribution)
Av. lease length	8.15 years (Industry average 7 yrs)
Vacancy rate	
(Investment)	15.41% (SE Office av. vacancy rate 16%)
(Regen)	7.22%
Portfolio (NI Yield)	5.29%
Capital Value	£776.3m

Chart showing capital & income for Investment & Regen portfolios 2018-2023

Chart showing vacancy rate and WAULT for both portfolios 2018-2023

2. Key Asset Management Initiatives Delivered 2022-2023 (Rank Order by income)

Property	Tenant	Initiative (Date)	Impact on income	Comment

3. Key Lease Events 2023-2024 (Rank Order by income)

Property	Tenant	Event (Date)	Income £pa	Comment
Charter Building	IWG/Spaces	Rent Review (23/6/23)	£	Ground floor to be reviewed to 50% of Market Rent

4. Major Revenue Expenditure Projects 2023-2024 (Rank order)

Property	Tenant	Description	Expenditure	Comment
Charter Building		2nd floor separation	£	In 22/23 budget

5. Anticipated Voids plus Associated Costs and Mitigation 2023-2024

Property/Tenant	Lease Event (Date)	Current Rent (£pa)	Holding Costs (Rates, Service charge, insurance)	Mitigation
Part ground floor, Charter Building	Break Operated/Disputed & Lease Surrender	£	£	Tenant has completed refurbishment to agreed spec and in funds for surrender to complete.

6. Key Asset Management Initiatives 2023-2024

Investment Portfolio

Property	Tenant	Description	Impact on Income FY23/24	Target Date
2nd Floor, Charter Building		Complete separation works and target two new lettings by end Mar-24	£Nil (assume in rent free)	Mar-24

Regeneration Portfolio

Property	Tenant	Description	Impact on Income FY 23/24	Target Date
Elmsleigh Centre	Matalan	Secure new lease at renewal	Nil	Mar-23

7. Summary 12-month strategy 2023-2024

Focus on maintaining and improving income to both Investment & Regeneration portfolios through the letting of significant voids such as Charter Building (60,000 sq ft). Maintain focus on lease break options at Thames Tower with a view to extending medium term income through rent free periods etc.

8. Medium Term Strategy 2024-2028

Consider the timing of redevelopment, re-positioning or alternative use on assets such as Elmsleigh Centre through feasibility reports and impact analysis on income returns.

APPENDIX G
CHARTER BUILDING, UXBRIDGE

A. Business Plan Summary

Financial Year Ending	2024/2025	2025/2026	2026/2027
Predicted Rental Income pa	£	£	£
Predicted Vacancy Rate	%	%	%
Rent Variance from Market Rent	%	%	%
Irrecoverable Revenue Expenditure *	£	£	£

Key Asset Management Initiatives (in rank order)		**Target date**	**Impact on Income £**	**Capital Value Impact**
1	Undertake separation works to 2nd floor to enable next phase of lettings	Jun-23	TBC	£
2	Secure lettings on 2nd floor - assume 15,000 sq ft let by June-23 and next 15,000 sq ft by Dec-23 and Jun-24 respectively. 5 year lettings at ERV (£32-£34 psf +/- growth) with 15 months rent free.	Jun-23	-	-
3	Complete proposed lease of ground floor retail unit to Tempur Sealey (lease until 2030 at £30 psf with 6 months rent free)	Mar-23	TBC	TBC
4	Installation of Building Manager's office, plus occupier totem to north elevation	Mar-23	£	£
Key Sustainability Initiatives (in rank order)		**Target Date**	**Estimated Cost £**	**Capital Value Impact**
1	Review current sustainability credentials for the building and identify areas for improvement	Jun-23	£	£
2	Implement BUBL energy management system to all new occupiers in the building, to reduce energy use and allow greater tenant control of heating and cooling within their specific areas	Jun-23	£	£
3	Install additional EV charging points within basement car par. Assume 10 installed in 2023 and an additional 10 in 2024	Jun-24	£	£
Threats (in rank order)		**Target date**	**Impact on Income £**	**Capital Value Impact**
1	Leasing activity is affected by market downturn- assume no new leases entered into during FY23/24	Dec-23	£	£
2	LB of Hillingdon implement completion notices on vacant accommodation and charge for all business rates	Apr-23	£	£
3	Spaces default on Ground Floor and 1st floor leases	Sep-23	£	£

B. Progress Since Business Plan (approved January 2023)

- 2nd floor separation works inc building managers office being tendered – completion due August 2023
- Tracelink – dispute over Ground Floor West suite – surrender completing w/c 12 June; all monies paid to end March 2023 and fully separated and

refurbished suite handed back, ready for marketing. Net additional income of £178k secured since May 2022 break operated.

- Review of EV charging being undertaken. Potential for tenants to pay for the costs of installing dedicated charging stations, or for SBC to pay in return for lease regears.
- BUBL energy management system continues to be rolled out to new occupiers
- Filming licence agreed on 2nd floor with HTM ("Trigger Point 2") between March and May 23.
- Caffe Kix turnover and profit continues to improve
- Tempur Sealy lease delayed while tenant confirms proposed fit out
- Terms proposed to Pizza Express for lease on 2nd floor of c 5,500 sq ft

C. 12 month Strategy for period commencing April 2023

- Maintain Charter Building profile as best office building in Uxbridge town centre through tenant engagement/events; updated website and marketing; and continued letting success with announcements in industry press and via social media.
- Aim to reduce vacancy rate to approximately 8% in line with business plan by financial year end, through new lettings on 2nd floor.
- Enhance rents in the building from current (April 2023) levels through new lettings on 2nd floor and former Tracelink unit on ground floor.
- Secure uplifts from June 2023 rent reviews on ground and 1st floor leases to IWG/Spaces.
- Maintain current position with LB Hillingdon to ensure business rates are appropriately mitigated
- Caffe Kix performance to be monitored with potential soft marketing to other coffee shop operators in Q2/Q3 2023, so that break option can be operated in June 2024 (Dec-23 notice) if necessary.

D. Medium Term Strategy 2023-2026

- To enhance income and reduce void costs through new lettings on the 2nd floor, plus retaining existing tenants through active asset management (i.e. removing break options and early renewal of leases).

Notes

** Revenue includes holding costs for vacant accommodation (business rates, service charge etc) and/or costs associated with a new letting (e.g. refurbishment costs, letting and legal fees etc).*

** CapEx of £ each year for installation of additional electric vehicle charging points*

APPENDIX K
ELMSLEIGH SHOPPING CENTRE, STAINES-UPON-THAMES

A. Business Plan Summary

Financial Year Ending	2023/2024	2024/2025	2025/2026
Predicted Gross Income pa	£	£	£
Predicted Vacancy Rate	%	%	%
Rent Variance from Market Rent	%	%	%
Irrecoverable Revenue Expenditure	£	£	£

Key Asset Management Initiatives (in rank order)		Target date	Impact on Income £	Capital Value Impact
1	Let vacant units and convert temp let to permanent lets and improve terms, eg Blue Inc to HMV, eg Johnsons to ShoeZone.	On going	£	£
2	Secure library in MSU2 (Ex Decathlon) or alternative occupier	Sept 2022	£	£
3	Attempt to reduce occupational costs (service charge and rates)	On going	Nil	Nil
4	Open negotiations to re-gear Matalan lease which expires Feb 2023. The base case model assumed that Matalan would leave upon expiry and then expect 18 months rent free; therefore the news that they are now remaining, subject to contract.	Oct-22	£	£
5	Investigate ways to improve attractiveness of MSCP - May require investment in lighting, cleaning/redecoration.	On going	Nil	Nil
6	Potential redevelopment of 91-93 High St to create new ground floor retail and 12 flats in upper parts. At the present time the viability of the scheme is being established.	Mar-23	£	-£
Key Sustainability Initiatives (in rank order)		**Target Date**	**Estimated Cost £**	**Capital Value Impact**
1	Investigate feasibility of Solar panels on roof of centre/ car park	Sept 2022	£	-
2	Audit all equipment to see if further energy savings can be made and likely pay back period	Sept 2022	£	-
3	Waste recycling	Mar-2022	£	-
4	Seek to secure CSAS powers for centre security team to help reduce anticsocial behaviour in town centre	Oct-22	-	-
Threats (in rank order)		**Target date**	**Impact on Income £**	**Capital Value Impact**
1	Macro economy - reduced disposable is likely to lead to reduced demand retailers profitability and ability to pay rent.		£	£
2	Exposure to fashion			
3	On line retail			
4	Impact of inflation on service charge levels, especially energy costs		£	£

B. Progress Since Business Plan

- Lettings to HMV and Shoezone now completed
- Matalan lease renewal agreed and engrossments issued for new 5 year lease from 2/23

C. 12 month Strategy from April 2023

- Secure Agreement for Lease with Barclays Bank into the current Waterstones.
- Agree relocation of Waterstones into unit 35/36 pre lease expiry in Nov 23.
- Work up plans for potential new unit to include Clintons, Mobile Bitz, first floor of 35/36 and part mall to satisfy potential requirements for retailers being relocated from Two Rivers.
- Reinstate Planned maintenance programme following suspension during Covid.
- Improve visibility and enhance common areas to car parks and work with car parking to improve cleanliness and useability.
- Conclude discussions with Vodafone to secure VP and facilitate the future development of 91-93 High Street.
- Progress carious outstanding lease renewals including Timpsons and Holland and Barrett.
- Finalise discussions with Surrey re the relocation of the library and establish momentum to the transaction

D. Medium term 2023-2026

- Continue to monitor and implement lease renewals where appropriate to maximise income.
- Maintain rental projections and review other income generative opportunities.
- Monitor and assess impact of potential new ownership of Two Rivers/development of northern site.
- Analyse relevance of tenant mix and adapt where necessary/possible to maintain vibrant shopping centre.
- Ensure footfall momentum is maintenance in upwards trajectory.
- Maintain rental projections and review other income generative opportunities.
- Assess and work in conjunction with development team to create potential new anchor under Tothill car park redevelopment.

Notes

** Revenue/Capital Expenditure includes holding costs for vacant accommodation (business rates, service charge etc) and/or costs associated with a new letting (e.g. refurbishment costs, letting and legal fees etc).*

This page is intentionally left blank

Appendix 3 – Key Performance Indicators

KEY PERFORMANCE INDICATORS (INVESTMENT & REGENERATION PORTFOLIOS)PERFORMANCE INDICATORS					
	Responsibility	**Reason**	**Data Source**	**Benchmark**	**Comments**
FINANCIAL (INCOME)					
Portfolio Income Growth	Asset Management	To assess how SBC portfolio compares to budget in terms of net receivable income	Monitoring reports/financial outturn (May each year?)	To achieve or exceed Budgeted income outturn	Letting agents are used to secure new tenants on Market terms.
FINANCIAL (EXPENDITURE)					
Irrecoverable Revenue Expenditure	Asset Management	To monitor expenditure on refurbishments and holding costs against Budget	Monitoring reports/financial outturn	Expenditure is no greater than budget allowance	MSCI would provide a benchmark. A suite of documents including the Asset Management Plan, Annual Investment Strategy and individual Asset Business plans set out proposed investment needed to ensure it is recoverable via the service charge or met from capital budgets
LEASE EVENT MANAGEMENT					
Rent Reviews	Asset Management	To avoid delays in recording rental uplifts and for good estate management reasons		All reversionary rent reviews to be instigated prior to rent review date unless by exception	Reports are run 12-18 months in advance of lease event dates to ensure work can be programmed and external advice sought where necessary

Appendix 3 – Key Performance Indicators

Lease Expiries	Asset Management	To avoid delays in recording rental uplifts and for good estate management reasons		All contracted out expiries to be instigated prior to expiry date unless by exception	Reports are run 12-18 months in advance of lease event dates to ensure work can be programmed and external advice sought where necessary
	Responsibility	**Reason**	**Data Source**	**Benchmark**	**Comments**
TENANT RISK					
Regular review of occupier credit ratings	Asset Management	To ensure that current and future occupier risk is identified and mitigated against	Dun & Bradstreet & Experian	Target = bi-annual reporting	Suggest bi-annual 'RAG' update from credit monitoring source on high risk / high value occupiers with annual review of whole portfolio.
Rent collection (lease rent only, exc turnover)	Asset Management	Regular monitoring of rent collection to assist with Finance budgeting and to identify problem tenants	Cushman JLL	80% within 14 days 90% by Qtr end	Bluebox (BP), External Managing Agents (Investment) and Customer Services via Integra (Municipal) undertake the rent demand Monitoring in place Rent Arrears report issued D&B reports and alerts Regular communication with tenants
PORTFOLIO RISK					
Portfolio Weighted Average Unexpired Lease Term to exceed market average lease length on new letting *[Current SE Office index is 7.9 years]*	Income	To ensure strategies are in place to preserve longevity of income	Annual Valuation	Carter Jonas – MSCI benchmark	Letting agents are used to secure new tenants on Market terms

Appendix 3 – Key Performance Indicators

This page is intentionally left blank

Appendix 4

Investment Portfolio Risk Register

Version 1 Jun-23

Risk Owner	Risk	Impact	Risk scoring before mitigation: Likelihood	Impact	Total	Mitigation/ Current Control	Risk scoring with mitigation: Likelihood	Impact	Total
Asset Management	Lack of Rental income growth in a buoyant market	Will not match or exceed budget income and maintain rental levels in line with market rates	4	3	**12**	Letting agents with knowledge and expertise in the local geographic area are used to secure new tenants on Market terms	2	2	4
Asset Management	Lease events are not planned for or progressed in a timely manner	Opportunities for growth in rental income may be missed and increased rent not achieved in a timely manner, statutory rights may be obtained, resulting in SBC losing control of decision making	3	3	9	Reports are run 12-18 months in advance of lease event dates to ensure work can be programmed and external advice sought where necessary	2	2	4
Asset Management	Poor/Failing Tenant financial strength	Tenant failure, tenant arrears and bad debt	4	3	**12**	Dun & Bradsheet & Experien credit reports are reviewed prior to enter into a new letting and bi-anually thereafter	2	2	4
Asset Management	Significant expenditure on buildings that is not recoverable	Reduction in net income and contribution towards sinking fund and cost of council services	3	3	9	A suite of documents including the Asset Management Plan, Annual Investment Strategy and individual Asset Business plans set out proposed investment needed to ensure it is recoverable via the service charge or met from capital budgets	2	2	4
Asset Management	New lettings not achieving average market lease lengths	Impact on security of income and asset value	3	3	9	Letting agents are used to secure new tenants on Market terms	2	2	4
Asset Management	Delay in rent collection and/ or Tenant default	Loss of income, impacting the Council's income, revenue budget, financial position and service delivery.	3	3	9	Bluebox (BP), External Managing Agents (Investment) and Customer Services via Integra (Municipal) undertake the rent demand Monitoring in place and reported to both Member and Office forums. Rent Arrears report issued D&B reports and alerts Regular communication with tenants	2	2	4

Asset Management	Non compliance with H&S Legislation (investment)	Serious injury / Loss of Life Fines Reputational damage	4	4	**16**	External manageing agents employed to manage risk, they have a dedicated team dealing with H&S	2	3	6
Asset Management	Non compliance with H&S Legislation (Municipal)	Serious injury / Loss of Life Fines Reputational damage	4	4	**16**	Spelthorne Building Services team instruct contractors to carry necessary tasks out, supporting the H&S compliance	2	3	6
Asset Management	Not meeting new legislation deadline for EPC's (Municipal)	Unable to grant new leases Loss of income	4	3	**12**	Building Consultancy team instructed to carry out EPC's where needed and action any works required.	2	2	4
Asset Management	Vacant properties	Loss of income. Exposure to void rates	4	3	**12**	Monitor lease events. Maintain close professional relationships with tenants. Appoint agents to actively promote and market to secure new tenant.	2	2	4

Corporate Policy & Resources Committee

20 February 2023

Title	*Sinking Fund Policy as at February 2023*
Purpose of the report	To note
Report Author	*Paul Taylor Chief Accountant*
Ward(s) Affected	All Wards
Corporate Priority	Service delivery
Recommendations	**Committee is asked to note:** **1. The Sinking Fund Policy, which will be reviewed every five years or earlier in the event of a material emergency, as defined in 1.3 below.** **2. The Sinking Fund is to cover <u>unplanned</u> short-term issues, to minimise risk, protect the Council's Revenue Budget and Council Taxpayers from exposure to short term dips in rental income and build sufficient cash backed reserves to provide the Council with future options, which may include funding refurbishments (net of dilapidations) development and or sale of any of the current property portfolio, in particularly in 14 years' time, when BP could exercise their lease break and vacate the entire site at Sunbury.**
Reason for Recommendation	The Committee requested that the previous report was restructured to focus on the policy and ultimate aim of the Sinking Fund to: • Gain a better understanding of the long-term use of the Sinking Fund, • Acknowledge that only Council can authorise a draw down from the Sinking Fund, either through the annual budget setting process or via a special report seeking Council approval.

1. Summary of the report

1.1 The purpose of the Sinking Fund Policy is:

(a) to minimise risk and protect the Council's Revenue Budget and Council taxpayers from exposure to **<u>unplanned</u>** short term dips in income.

(b) to ensure that the Council build sufficient cash backed reserves to provide future options at each property, including:

i) refurbishments (net of dilapidations),

ii) development of a site, particularly in 14 years' time in the case of the Sunbury Campus, when the tenant could exercise their lease break and vacate the entire site at Sunbury.

iii) Repayment of PWLB Loans in the event of a tenant default.

1.2 The Sinking Fund Policy will be reviewed every five years or earlier, in the event of a material emergency issue (such as another Pandemic) facing the Council's Investment & Regeneration Property Portfolio.

1.3 **Material Unplanned Events**

1.4 Material is defined as a multi-million pound challenge, that cannot be resolved through the annual budget setting process or reduces the annual contribution from the investment and regeneration property portfolio below £10.8m.

1.5 Payments from the Sinking Fund, for unplanned items that occur, could include:

(a) a tenant going into insolvency and after deducting the lease guarantee held, there could be a small residual balance required to balance the books, as happened recently at one of the Council's Investment & Regeneration Properties.

(b) The impact of the war in Ukraine, was a material unplanned event, which has adversely affected the Council's rental income, at one of its Investment & Regeneration properties and whilst the premises are soon to be vacant, the Council has taken the opportunity to bring forward planned upgrades to the building, rather than wait until the premises are reoccupied, this expenditure under the Sinking Fund policy, would be funded from the Sinking Fund Reserve.

The list of what is a material unplanned events is not exhaustive nor is it prescriptive.

1.6 The remaining items on the Sinking Fund are deemed to be operational in nature.

1.7 Once this Committee/Council confirms its strategic objectives and plans for each site, the operational model for our Sinking Fund, shown below can be adjusted and end balances quantified, that is why is it important that Council exercises in strategic judgement and provides Officers with notice of its intentions at the earliest possible moment, so they can look at the operational issues and provide Council with feedback on their plans or adjust the budget in order to meet these objectives.

1.8 As a benchmark, Officers would suggest to the Committee the following operational milestones, until the Committee confirms its strategic objectives, having ensured that each year, the Council receives £10.8m towards funding frontline services, affordable housing and regeneration programme:

(a) The first milestone should be to accumulate Sinking Fund balances of at least £37m to ensure that the Council would be able to repay the loans in light of a major catastrophe

(b) In fourteen years' time, the Sinking Fund balance should be in the order of £60m and this would enable the Council to pump prime any redevelopment of the Sunbury site, in the event our existing tenant vacates the premises.

(c) Put an average net payment of £3.5m per annum into the Sinking Fund reserve.

2. Options Analysed

2.1 **Stick with the existing policy** - this was considered and rejected, as Officers believe that the Council should ensure that the planned income and expenditure is incorporated into the budget setting process, and that the use of the Sinking Funds (a reserve) is not delegated to a subcommittee but remains with CPRC/Council for a formal decision, in the overall scheme of the Council's finances.

(a) **Stick with the existing strategic objectives –** which are vague and not quantified.

2.2 **Amend the policy as per the report (Recommended)** – this provides greater clarity to Council on how the Sinking Funds should be utilised and restores control of the Sinking Fund (a reserve) back to CPRC/Council. The definition of material unplanned event clarifies when the Sinking Fund can be used.

(a) **Updating Strategic Objectives –** the Committee is asked to provide Officers with a revised/updated set of Strategic Objectives for the Sinking Fund, to enable them to prepare the 50 year projections and accept the interim objectives set out in 1.8 (a), (b) and (c) above, until the new objectives have been agreed

3. Operational Model for the Sinking Fund

3.1 As part of the budget setting process, Assets and Finance Officers update the rolling 5 year financial plan for each individual property that makes up the Investment & Regeneration portfolio.

3.2 The Annual Budget Setting process and Medium Term Financial Strategy provide Council with the expected cashflow movements and anticipated contributions in to and out of the Sinking Fund Reserve, for the 4 years ahead.

3.3 The annual Sinking Fund movements (in/out) form part of the overall operational management of the investment and regeneration properties portfolio that aims to deliver at least £10.8m annual contribution to the Council's affordable housing programme, regeneration programme and the delivery of key frontline services.

3.4 The model is made up as follows:

(a) Asset Acquisition Income - Gross rental income as per the current signed lease for all our tenants.

Less the following:

(b) Landlord Costs, these are typically known and or planned costs, and would include (not an exhaustive list) the following:

i) Voids arising from break/lease terminations

ii) Capital & Revenue (rent free) contributions for new tenants

iii) Planned repairs and enhancements, particularly after a tenant change.

iv) Short term leases reductions.

(c) Minimum Revenue Payments, provided fully against the capital repayment element of each PWLB loan.

(d) Interest payments based on the charge for each Public Works Loan Board loan.

(e) Set aside – the Council provides funding of up to £0.63m per annum from rental income to cover all the new costs, i.e., staff in support functions, consultancy costs etc.

(f) Contributions to the Sinking Fund reserves, are predetermined each year and approved by Council (to date have ranged between £5m and £9m per annum), aiming to build sufficient funds to cover unplanned:

i) Voids

ii) Rent free periods, business rates, repairs, and enhancements (not covered by service charges or dilapidations).

These costs should be budgeted for, within the five-year business cycle, under Landlord Costs in 2.2 above and from 2024-25 will require a separate revenue and capital growth bid to be submitted as part of the Council Budget setting process, for maximum transparency.

3.5 Every 5 years or in the event of a major catastrophe Officers will review the Sinking Funds and prepare revised 50 year forecasts for the Sinking Funds.

3.6 The Committee will need to agree the strategic objectives for the Sinking Fund, to enable the Finance Team to model the next 50 years and ensure that it is operationally possible to deliver the outcomes. Once received the Finance Team will commence work on modelling the next 50 years, noting that:

(a) Due to the current workload pressure on the Finance Team with Budget Setting and preparing the Annual Accounts, between December and April, as well as implementing a new budget monitoring system by 1 October 2023. Together with the volume of work this Committee has to deal with between January and February each year, to agree the annual budget, Officers will work to build a robust and updated financial model to deliver the 50 year review of the Sinking Funds based on the Committees updated strategic objectives and present their report to this Committee by June 2024.

4. Financial implications

4.1 The financial implications have been highlighted in the report above.

5. Risk considerations

5.1 There are no further risk considerations.

6. Procurement considerations

6.1 There are none.

7. Legal considerations

7.1 Further to the Local Government Act 1992, the Council has a duty to produce a ‘balanced budget’. Proper management of the Sinking Fund helps to strengthen the Council's financial position which will assist with setting a balanced budget in future and mitigate against exposure to financial risks.

8. Other considerations

8.1 There are none.

9. Equality and Diversity

9.1 There are none.

10. Sustainability/Climate Change Implications

10.1 There are none.

11. Timetable for implementation

11.1 From 1 April 2023:

(a) managing the Sinking Funds becomes a function for the Finance Team and will be reported annually in the Capital & Reserves.

(b) All expenditure for the Investment & Regeneration Properties will be dealt with under Landlord Costs (which are made transparent in the below the line detailed budget analysis).

(c) At the end of the year, as part of Outturn and the Capital & Reserves Strategy, Officer will make recommendations for any additional funds to be paid into the Sinking Fund.

(d) Based on the definition of material unplanned events in 1.3 above or to maintain the level of contribution of £10.8m to Council from the Investment & Regeneration Properties, Officer will make recommendations to this Committee for approval, as to the aggregate amount of support required from the Sinking Fund, over and above those amounts set in the annual budget.

11.2 June 2023 - to be implemented with the 2024-25 Budget Setting Process – the Investment & Regeneration portfolio, should complete a Service Plan for this Committee to review.

11.3 June 2024 – Report on 50 year projections on Sinking Fund.

12. Contact

12.1 Paul Taylor p.taylor@spelthorne.gov.uk

Background papers: There are none***.***

Appendices – There are none.

This page is intentionally left blank

Audit Committee

27th July 2023

Title	***Annual Governance Statement 2022-23***
Purpose of the report	To make a decision
Report Author	*Terry Collier, Deputy Chief Executive*
Ward(s) Affected	All Wards
Exempt	No
Exemption Reason	*N/A*
Corporate Priority	This item is not in the current list of Corporate
Recommendations	**Committee is asked to:** **The Audit Committee is asked to approve the draft Annual Governance Statement at Appendix 1 and endorse the improvement actions identified in the Statement**
Reason for Recommendation	**The Committee has a statutory duty to review and approve on behalf of the Council the Annual Governance Statement.**

1. Summary of the report

1.1 The report appends the draft Annual Governance Statemen(AGS) for 2022-23 for consideration by the Audit Committee.

1.2 The draft AGS is included in the draft Statement of Accounts for 2022-23. The AGS includes the Audit Managers Internal Audit Opinion for 2022-23 and highlights significant governance issues.

2. Key issues

2.1 The need to review arrangements for corporate governance and internal control and to produce the Annual Governance Statement (AGS), attached as Appendix A, is given statutory backing by the Accounts and Audit Regulations 2015. The CIPFA/SOLACE governance framework 'Delivering Good Governance in Local Government' brings together an underlying set of legislative requirements, governance principles and management processes. Crucially, it states that good governance relates to the whole organisation.

2.2 CIPFA has assigned proper practice status to the governance framework. It outlines six core principles of governance focusing on the systems and processes for the direction and control of the organisation and its activities through which it accounts to, engages with and (where applicable) leads the community. The degree to which the authority follows these principles should be declared in its Annual Governance Statement. It is this statement that has the legal backing of Regulation 4 of the Accounts and Audit Regulations. The Annual Governance Statement (AGS) sets out the framework within which internal control is managed and reviewed and the main components of the system, including the arrangements for internal audit. The AGS also identifies any areas of significant weakness in internal controls, and areas for improvement, and the actions taken to remedy these through risk mitigation and effective management.

2.3 The Annual Governance Statement relates to the system of governance arrangements and internal control as it applied during the financial year in this case, the 2022/23 financial year.

2.4 The Audit Commission's Code of Audit Practice states that the AGS and underlying process will form a key piece of evidence for auditors' work on the authority's arrangements to secure economy, efficiency and effectiveness. In summary, the AGS will form an increasingly important part of the external auditors' work and subsequent opinion on the control arrangements of the Council.

- Reviewing the effectiveness of Internal Control
- The scope of internal control spans the whole range of local authority activities and includes those controls designed to ensure that:
- Council strategies and policies are periodically reviewed and put into practice.
- There is compliance with law and regulation.
- Agreed procedures and processes are followed to mitigate or reduce risks of error, financial loss, fraud, bribery and corruption .
- Adequate arrangements for safeguarding the authority's assets and resources.
- Financial statements and other published information are reliable and accurate.
- There is the efficient and effective use of management and resources in the delivery of high quality services.

2.5 The CIPFA statement recommends that the Council should satisfy itself that it has obtained relevant and reliable evidence to support the Statement and sets out an assurance gathering process framework. This framework comprises the following stages:

- Establish principal statutory obligations and organisational objectives
- Identify key risks to their achievement
- Identify and evaluate key controls to manage principal risks
- Obtain assurances on the effectiveness of key controls
- Evaluate and identify gaps in controls and assurances

- Produce an action plan to address gaps and ensure continuous improvement in internal controls
- Produce the Annual Governance Statement

Report to Committee

2.6 The sources of assurance include:

- Published documents (e.g. Constitution)
- Corporate management team and managers throughout the organisation assigned with the ownership of risks and delivery of services
- The Monitoring Officer
- The Chief Financial Officer
- Internal Audit, particularly as summarised in the Internal Audit Annual Report for the year
- External Audit
- Review agencies and inspectorates- including in this particular year the Local Government Corporate Peer Challenge Review
- The CIPFA Financial Management Code Self Assessment
- Review of Corporate Risk Register by Management Team; Corporate Risk Management Group; Audit Committee and Cabinet

2.7 In undertaking the review and completing the Annual Governance Review all of the above sources of assurance have been taken into consideration.

2.8 An important source of assurance is provided by the work of Internal Audit and several of the control issues identified in part 3 of the Statement relate to items identified in the Audit Services' Reports for 2020/21 which have been considered by the Audit Committee, particularly with respect to issues identified in the Corporate Risk Register.

2.9 It is important the actions identified with regard to the control issues are taken forward.

3. Options analysis and proposal

4. It is proposed that the Audit Committee approve the Annual Governance Statement for inclusion within the Statement of Accounts for 2022-23

5. Financial implications

5.1 Addressed within the statement

6. Risk considerations

6.1 Risk considerations are covered within the report.

7. Procurement considerations

7.1 Having appropriate procurement arrangements, including Contract Standing Orders form part of good governance arrangements

8. Legal considerations

8.1 The Accounts and Audit Regulations require the Statement of Accounts to include a signed off Annual Governance Statement, failure to do so could result in qualification of the accounts

9. Other considerations

9.1 None.

10. Equality and Diversity

10.1 Good governance includes ensuring appropriate governance in place to address equality and diversity issues.

11. Sustainability/Climate Change Implications

11.1 Good governance will help the Council effectively address sustainability and climate change issues.

12. Timetable for implementation

12.1 Not applicable

13. Contact

13.1 Terry Collier t.collier@spelthorne.gov.uk

Background papers:, **There are none*.***

Appendices:
List as Appendix A Draft Annual Governance Statement for 2022-23.

Annual Governance Statement 2022-2023

Version 2: 23/5/23

Introduction

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

LGA Peer Review

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

The CPC Team's report contains a number of observations and suggestions covering such areas as:

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

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

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

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

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

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

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

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

Based on their findings the CPC team made 12 key recommendations to the Council within their report:

1. All Members need to identify what they have in common in terms of shared priorities and objectives for your Borough and your residents and use them to progress the delivery of your shared ambitions for Spelthorne.

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

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

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

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

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

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

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

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

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

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

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

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

Councillor surveys. The Action Plan will be considered by the June meeting of the Corporate Policy and Resources Committee.

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

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

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

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

Cost of Living Crisis

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

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

The Council's vision for the Borough

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

Community – supporting our communities across the Borough

Affordable housing – delivery the affordable housing the Borough's residents need

Recovery – supporting our communities and businesses recovery from the impact of COVID-19

Environment (Climate Change)– ensuring the Council contributes towards tackling climate change

Service Delivery

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

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

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

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

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

Service Delivery

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

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

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

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

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

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

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

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

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

How we run the Council

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

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

Policy Framework. We have a number of important policies which are approved by a majority of all councillors. These are reviewed regularly. The most important policy is the Local Plan 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. During the period to which this Annual Governance Statement covers, the majority of decisions are made by the Committees or delegated to staff, there are structures and processes in place to hold these to account. .We have an Audit Committee which have cross party representation to review our risk management arrangements, performance, influence policy and review our decisions. Under the constitution which took effect in 2021-22, we added an independent lay member to the Audit Committee to bring additional experience and expertise to the work of the Committee. Under the new Constitution we have ceased to have an Overview and Scrutiny Committee with the service committees undertaking the scrutiny function including the areas of statutory scrutiny. As a result of our strategic property investment that generates 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. Under the Constitution agreed in May 2021, a new sub-committee of Policy and Resources was established to deal with certain decisions relating to the delivery of housing, regeneration and assets projects, to enable timely decision making and to ensure appropriate democratic oversight.

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

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

How we manage the finances

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

.

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

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

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

- Seeking to maximise grant funding form Homes England for affordable and key worker homes

- Changing the Thameside and Benwell Phase 2 schemes form affordable housing into private rental schemes to remain under ownership of the Council

- Accelerating the Tothill affordable housing scheme

- Agreeing to a significant capital injection into the Council's housing management company Knowle Green Estates

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

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

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

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

Communicating effectively

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

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

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

Engaging with stakeholders

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

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

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

Informing

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

Consulting

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

Involve

We will work with communities and partners on various topics in order to

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

Collaborate

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

Empower and decide

We promote community empowerment and democracy. Council

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

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

How we are accountable

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

- Speak to your ward councillor or the Chair or Vice-Chair of the Committee responsible for the issue
- Complain about services you think are not performing, or equally provide positive feedback when you think we are doing well
- Request information under the Freedom of Information Act and the Environmental Information Regulations.
- Ask questions at the Council 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 is committed to following the Nolan principles of public life which are:

1. **Selflessness**

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

2. **Integrity**

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

3 **Objectivity**

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

4 Accountability

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

5 Openness

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

6 Honesty

Holders of public office should be truthful.

7 Leadership

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

How we learn and improve

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

The Council has an ongoing Continuous Improvement Programme (CIP) where the CIP team work with services to identify improvements and efficiencies in processes, systems and working practices, for example makes improvements to make it easier for people to pay the Council 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. This team has an annual internal audit plan which is discussed and agreed each year by the Audit Committee. The internal team operates to the Public Sector Internal Audit Standards. The effectiveness of internal audit is reviewed annually and an external quality assessment undertaken once every five years, with the next external review being undertaken in 2023.

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

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

The Internal Audit Manager has reported on nine assurance reviews relating to the 2022/23 audit plan, of which five were assessed as 'reasonable assurance' provision ' and four were identified as ''limited assurance'. Audit recommendations carry a priority rating (low/medium/high) and these will be followed up to confirm implementation status. Three further assurance assignments currently underway (overall assurance opinions not yet concluded) will be reported in the annual audit report for 2022/23 presented to Audit Committee, and any key matters arising so far have been considered for the annual audit opinion. Other relevant sources of assurance such as audit advisory work including position statements issued, the Council's Corporate Risk Register and risk exposure to Wider Externalities have been reviewed for the purpose of producing the overall audit opinion.

Annual Internal Audit Opinion 2022/23

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

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

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

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

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

Punita Talwar

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

Chartered Internal Auditor (CMIIA)

May 2023

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

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

Corporate Risk Management

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

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

External audit

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

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

Audit Committee

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

How we learn from complaints and feedback

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

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

FOI/GDPR

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

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

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

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

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

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

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

How we will deal with significant governance issues

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

Completed with periodical reporting having been undertaken. Completed –

Refreshed Economic Prosperity strategy approved. Action completed with reporting structures widened to include CPRC.

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

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

Issues Identified/Risk Implications **Relates to 2022/23 Period**	**Action and status**
1.Wider Externalities The ongoing significance of wider externalities such as the macro-economic environment (elevated inflation, accelerated interest rates and cost of borrowing), and geopolitical uncertainty from the Ukraine war have continued to exacerbate the Council's financial challenges in delivering corporate priorities, coinciding with rising service pressures in supporting communities during a Cost-of-Living crises. Inevitably, the Council cannot exert control or influence over the direction of these evolving wider externalities and therefore the extent to which it can reduce, control or mitigate such risks remains limited.	***Management Action*** *(i) The broad risk categories most significantly impacted by these externalities include the Council's economic prosperity, financial sustainability, and supporting local communities and refugees in the provision of housing need.* *(ii)The local mitigation measures and prioritised actions to alleviate the identified risks have been drawn out in the Wider Externalities risk assessment and summary report (reported to the Audit Committee throughout 2022/23). Going forward such analysis will continue to be incorporated into the Strategic (Corporate) Risk Register..*
2.Financial Risk	***Management Action***

Financial risk remains a strategic theme carrying high impact across several risk categories on the Council's Corporate (strategic) risk register. Ongoing financial challenges and pressures continue to have a significant impact on the Council's budgetary position and financial sustainability in delivering corporate priorities and services.	*Please refer to the Council's Corporate Risk Register and Risk Action Plan for a range of high-level actions underway in alleviating the ongoing financial challenges. This includes progressing the medium term financial strategy and efficiency savings plan in addressing anticipated budget deficits for 2023/4 to 2026/27.*
3.Commercial Assets The post-pandemic landscape, turbulent economic environment and geopolitical situation have presented contributory factors leading to tenancy departures and void periods, with increased void rates during 2022/23 across the Council's commercial investment portfolio. It is acknowledged that sinking fund reserves support the Council's risk management strategy and may be drawn upon to mitigate and reduce the impact of any break clause occurrence in managing void periods and income shortfalls. In continuing to fund Council services, robust tenancy management remains key in securing and maximising these vital revenue streams.	***Management Action*** *The Council's ongoing management of rental voids and securing new tenants remains pivotal with proposals having been put forward to a prior CPRC in addressing the largest single void with a view to reducing the vacancy rate (previously anticipated rate of approx. 10% by end of June 2023).* *The Risk Action Plan in the Corporate Risk Register refers to producing a strategy for the longer-term relationship management of existing tenants occupying commercial properties with a view to reducing associated risks of tenant departures.* *Establishing and developing an overarching and cohesive tenancy management strategy for the commercial investment portfolio that incorporates relevant components.* *Wider risk mitigation measures continue for the Council's investment portfolio including plans to extend sinking fund modelling, and developing an action plan (in progress) in addressing the Public Interest Report (PIR) recommendations with a view to driving improved risk management and performance management, to be presented to July Audit Committee and a future Development Sub Committee.*
4.Recruitment and Retention In the context of a challenging and competitive labour market, unsuccessful recruitment and ongoing unfilled vacancies remains an issue for the authority, leading to reduced level of technical skills and relevant expertise operating across some Services. Staff shortages further exacerbate workload pressures across teams and may lead to increased staff fatigue, burnout and sickness levels arising.	***Management Action*** *Refer to the Corporate Risk Register and related risk action plan.* *Corporate Establishment Review underway (2023).*

Conclusion

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

....	....
Cllr	Daniel Charles Mouawad
Leader of the Council	Chief Executive

Audit Committee

27 July 2023

Title	*Audited accounts for Knowle Green Estates Ltd, for the year end 31 March 2022.*
Purpose of the report	To note
Report Author	*Paul Taylor Chief Accountant*
Ward(s) Affected	All Wards
Exempt	No
Corporate Priority	Environment Service delivery
Recommendations	**Committee is asked to note the report.**
Reason for Recommendation	*The Board of Directors at Knowle Green Estates Ltd approved the unqualified audited accounts for the year ended 31 March 2022 on 29 March 2023, following a meeting with the Auditors.*

1. Summary of the report

1.1 The unqualified audited accounts for the year ended 31 March 2022, were approved by the Knowle Green Estates (KGE) Board on 29 March 2023 and filed at Companies House.

1.2 The was no Corporation Tax to pay.

1.3 The accounts show the following:

	2021/22	2020/21
Profit/(loss) for the year	£144,334	(£93,643)
Total Comprehensive Income/(Expenditure) for the year	£3,464,975	(£2,419,995)
Total equity	£3,179,115	(£285,860)

1.4 The main reason for the improvement in performance from 2020/21 to 2021/22 is twofold:

(a) The transfer of the Harper House back to the Council from KGE that created a paper loss in KGE, which is cancelled out on consolidation in the Council's Group Accounts.

(b) The improvement to the property valuations, based on full occupancy and strong rental streams from private renters and affordable housing.

1.5 Please note that the total equity above shown above is because of the increase in the property valuations, and the positive movement is reflected in the revaluation reserve, noting that this reserve is an unusable reserve, as defined by the CIPFA Prudential Code.

2. Key issues

2.1 KGE changed its auditors during the year, so that all the Council's tax compliance work was with one firm, and this was a major reason for the delay in finalising the accounts for the year end 31 March 2022. Noting that the audit for the year ended 31 March 2023 has already commenced and is expected to be completed by the end of June 2023.

2.2 Following a meeting with Tracey Wickens, the Senior Statutory Auditor at MGI-Midgely Snelling, the KGE Board of Directors formally accepted and signed the accounts (Appendix A) on 29 March 2023,

2.3 Also attached is the Letter of Communication from the Auditor, which states that:

(a) The was no change in the audit process.

(b) There were no significant findings coming from the audit.

(c) A list of immaterial audit adjustments, see Appendix C in next section.

(d) Some commentary on internal controls:

i) There are some challenges with the Bluebox (a Tenancy based application) when producing final accounts, as there has been little development work carried out by the Assets team to develop the software to deliver a recognisable trial balance from the system, making it a labour intensive process.

This is being addressed by Officers going forward.

ii) The two sums referred to come from the previous year which was audited by Azets, and therefore, there should have been sufficient information in the audit files to deal with matter.

Officers subsequently review the journals from the previous auditors and ascertained that figures were as follows:

- £10,793 – this was written off in yearend 2021, by agreement with the auditors and the Board.
- £4,134 – this was deferred income from 2021 and should be written to the profit and loss account.

Please note that both adjustments are favourable and under the company's materiality levels, and will be adjusted accordingly going forward.

(e) Confirmation of an anticipated clean audit report being issued, subject to final checks and submissions.

(f) Confirmation that the auditors agree with the Directors views on:

i) Going concern

ii) Accounting policies and disclosures

(g) There were no related party issues.

(h) All third-party confirmations were received.

(i) Confirmation of MGI-Midgley Snellings independence.

2.4 As part of the normal audit process, the Directors were asked to sign the attached Letter of Representation (Appendix C) and return to the auditors.

2.5 This letter sets out key affirmations that the Directors have made during the audit process and that the auditors have highlighted, particularly in respect of Appendix 1 and 2.

2.6 Appendix 1 – The initial draft accounts were prepared based on a valuation report received from the valuers Wilks Head Eve. This was queried and additional information supplied, as a result the valuations were significantly revised by WHE. This was a material audit adjustment.

2.7 Appendix 2 – A trade creditor amounting to £1,048 was not included in the accounts. This figure is immaterial for audit purposes.

2.8 Where adjustments are material, the Board requested that the financial statements were amended to reflect these adjustments. As a result of these adjustments the Spelthorne Borough Council Group accounts will need to be updated to reflect these favourable adjustments.

3. Financial implications

3.1 There are no further financial implications in respect of the financial accounts.

4. Risk considerations

4.1 The property valuations are based on a variety of data, and does not reflect the best valuation, i.e., an offer to buy the premises or company, which could be higher or lower than the asset carrying value included in the audited financial accounts for the year ended 31 March 2022.

4.2 The Bluebox financial system, is not widely recognised within the finance profession and it has been difficult for the Finance Team to support the Assets Team to deliver timely year end accounts, management accounts and budgets. Officers are in discussion to look at moving the accounts production to Centros, where greater resilience and support can be provided.

4.3 Delays to the Development Projects has put financial pressure on KGE, and at the Extraordinary Council Meeting it requested a refinancing package, including the purchase of equity shares, to match the potential Homes England Funding and reduce the Loan to Property Value to 50%, as current PWLB interest rates are circa 5% and expected to rise further in mid-June, when the Bank of England meet to review the Base Rate.

4.4 The original projections approved by the KGE Board in June 2021, where prepared on the assumptions that Thameside House and Victory Place would be occupied from January 2024 and November 2023 respectively, as neither development has commenced yet, this is putting pressure on KGE, not only from a cashflow perspective, but also in its ability to establish a truly independent Board, as it is unable to generate the cashflow to support this additional expenditure.

4.5 Since the change of Council policy on 22 March 2022 – Transferring property to KGE at cost - this has ensured that there is no chance of a loss materialising upon transfer to KGE, in the Council's accounts.

4.6 To reduce the financial risk on KGE being unable to afford to manage any of the Council's development properties, since the last property was transferred in December 2021, viability assessment are now carried out on each development, which will include modelling over a 50 year period different scenarios, such as, changes in interest rates, loan term, rent increases and capital cost.

5. Procurement considerations

5.1 The external auditors were appointed following an appropriate procurement exercise.

6. Legal considerations

6.1 There are none.

7. Other considerations

7.1 The main items have been discussed in the other sections for the report.

8. Equality and Diversity

8.1 There are none for this report.

9. Sustainability/Climate Change Implications

9.1 Not directly applicable. Ensuring a viable company assists the Council in supporting businesses to more sustainably manage their waste.

10. Timetable for implementation

10.1 Not applicable, as report is just for noting.

11. Contact

Paul Taylor, Chief Accountant p.taylor@spelthrone.gov.uk

Background papers: There are none.

Appendices:
Appendix A – KGE Audited accounts 31 March 2022
Appendix B – KGE Letter of Communication 31 March 2022
Appendix C – KGE Letter of Representation 31 March 2022

Company registration number 10170860 (England and Wales)

KNOWLE GREEN ESTATES LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

KNOWLE GREEN ESTATES LTD

COMPANY INFORMATION

Directors	T Collier S Buttar A Fillis D Levy
Secretary	F Hussain
Company number	10170860
Registered office	Council Offices Knowle Green Staines-Upon-Thames Middlesex TW18 1XB
Auditor	MGI Midgley Snelling LLP Ibex House Baker Street Weybridge Surrey KT13 8AH

KNOWLE GREEN ESTATES LTD

CONTENTS

KNOWLE GREEN ESTATES LTD

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2022

The directors present their annual report and financial statements for the year ended 31 March 2022.

Principal activities
The principal activity of the company continued to be that of providing affordable housing lettings for families, keyworkers and private individuals who are resident in the Borough of Spelthorne.

Directors
The directors who held office during the year and up to the date of signature of the financial statements were as follows:

T Collier
S Buttar
A Fillis
D Levy

Statement of directors' responsibilities
The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditor
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

Significant Transactions
During the year, Spelthorne Borough Council agreed to transfer Benwell House and West Wing to the company as part of the property portfolio Knowle Green Estates Limited owns.

Small companies exemption
This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

On behalf of the board

[redacted]
....
T Collier
Director

Date: 29/03/23

KNOWLE GREEN ESTATES LTD

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KNOWLE GREEN ESTATES LTD

Opinion

We have audited the financial statements of Knowle Green Estates Ltd (the 'company') for the year ended 31 March 2022 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report. We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

In planning and designing our audit tests, we identify and assess the risks of material misstatements within the financial statements, whether due to fraud or error. Our assessment of these risks includes consideration of the nature of the industry and sector, the control environment and the business performance along with the results of our enquiries of management, about their own identification and assessment of the risks of irregularities. We are also required to perform specific procedures to respond to the risk of management override.

As a result of this assessment, we considered the opportunities and incentives that may exist within the company for fraud and identified that the greatest area of risk was in relation to management override.

We have obtained an understanding of the legal and regulatory frameworks that the company operates in from discussions with the director and our knowledge of the company and its industry sector. We have focused on the provisions of those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act and local tax legislation.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE MEMBERS OF KNOWLE GREEN ESTATES LTD

We performed the following audit procedures after consideration of the above risks which included the following:

- enquiry of management of actual and potential litigation and claims;
- reviewing correspondence with HMRC and the company's legal advisors;
- reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- reviewing meeting minutes between the directors and employees during the year.

The engagement partner has assessed that all engagement team members were made aware of the relevant laws and regulations and potential fraud risks and were reminded to remain alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. The risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities is available on the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

[redacted]

Tracey Wickens
Senior Statutory Auditor
For and on behalf of MGI Midgley Snelling LLP

Date: 30/03/2023

Chartered Accountants
Statutory Auditor

Ibex House
Baker Street
Weybridge
Surrey
KT13 8AH

KNOWLE GREEN ESTATES LTD

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2022

	2022	2021
	£	£
Turnover	781,359	168,437
Administrative expenses	(536,373)	(161,754)
Operating profit	244,986	6,683
Interest payable and similar expenses	(100,652)	(101,319)
Profit/(loss) before taxation	144,334	(94,636)
Tax on profit/(loss)	-	993
Profit/(loss) for the financial year	144,334	(93,643)
Other comprehensive income		
Revaluation of tangible fixed assets	4,052,176	(2,326,352)
Tax relating to other comprehensive income	(731,535)	-
Total comprehensive income for the year	3,464,975	(2,419,995)

KNOWLE GREEN ESTATES LTD

BALANCE SHEET

AS AT 31 MARCH 2022

	Notes	2022 £	2022 £	2021 £	2021 £
Fixed assets					
Tangible assets	4		32,996,900		4,542,272
Current assets					
Debtors	5	78,679		11,999	
Cash at bank and in hand		155,855		68,917	
		234,534		80,916	
Creditors: amounts falling due within one year	6	(616,295)		(295,659)	
Net current liabilities			(381,761)		(214,743)
Total assets less current liabilities			32,615,139		4,327,529
Creditors: amounts falling due after more than one year	7		(28,704,489)		(4,613,389)
Provisions for liabilities			(731,535)		-
Net assets/(liabilities)			3,179,115		(285,860)
Capital and reserves					
Called up share capital	8		1		1
Revaluation reserve	9		3,320,641		-
Profit and loss reserves			(141,527)		(285,861)
Total equity			3,179,115		(285,860)

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the board of directors and authorised for issue on 29/3/23 and are signed on its behalf by:

[redacted]

A Fillis
Director

Company Registration No. 10170860

KNOWLE GREEN ESTATES LTD

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2022

	Share capital	Revaluation reserve	Profit and loss reserves	Total
	£	£	£	£
Balance at 1 April 2020	1	2,246,727	(112,593)	2,134,135
Year ended 31 March 2021:				
Loss for the year	-	-	(93,643)	(93,643)
Other comprehensive income:				
Revaluation of tangible fixed assets	-	(2,326,352)	-	(2,326,352)
Total comprehensive income for the year	-	(2,326,352)	(93,643)	(2,419,995)
Transfers	-	79,625	(79,625)	-
Balance at 31 March 2021	1	-	(285,861)	(285,860)
Year ended 31 March 2022:				
Profit for the year	-	-	144,334	144,334
Other comprehensive income:	-	-	-	-
Revaluation of tangible fixed assets	-	4,052,176	-	4,052,176
Tax relating to other comprehensive income	-	(731,535)	-	(731,535)
Total comprehensive income for the year	-	3,320,641	144,334	3,464,975
Balance at 31 March 2022	1	3,320,641	(141,527)	3,179,115

1 Accounting policies

Company information

Knowle Green Estates Ltd is a private company limited by shares incorporated in England and Wales. The registered office is Council Offices, Knowle Green, Staines-Upon-Thames, Middlesex, TW18 1XB.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties at fair value. The principal accounting policies adopted are set out below.

1.2 Going concern

The directors have a reasonable expectation that the company has adequate resources and financial support from Spelthorne Borough Council to continue as a going concern for the foreseeable future. This is evidenced by the balance sheet showing healthy net assets at the year end.

The business plan for the company is to continue to increase their property portfolio including assured short-hold tenancies and affordable housing. The council's overall property strategy is part of the long-term objective of sustainable local regeneration and housing supported by good financial strength and stability.

The company remains integral to the council's strategy. As such, the company continues to adopt the going concern basis in preparing the annual report and financial statements

1.3 Turnover

Turnover is measured at the fair value of the consideration of rents received or receivable, net of discounts.

1.4 Tangible fixed assets

Land and buildings within fixed assets are initially measured at cost, comprising the purchase price and any costs attributed to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the company.

Land and buildings are then carried at fair value under the revaluation model, determined as the amount that would be paid for the asset in its existing use . Assets held at their fair value are revalued sufficiently regularly to ensure that their carrying value amount are not materially different from their fair value at the year end, as a minimum every five years.

Any aggregate surplus or deficit arising from the changes in fair value is recognised in other comprehensive income, with associated reserves recognised separately within revaluation reserves. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Freehold land and buildings	over 50 years on a straight line basis

1.5 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.6 Financial instruments

1 Accounting policies **(Continued)**

Basic financial assets
Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Basic financial liabilities
Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

1.7 Equity instruments
Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.8 Taxation
The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax
Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.9 Employee benefits
The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

3 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2022 Number	2021 Number
Total	4	4

4 Tangible fixed assets

	Land and buildings £
Cost or valuation	
At 1 April 2021	4,625,000
Additions	24,441,390
Revaluation	3,930,510
At 31 March 2022	32,996,900
Depreciation and impairment	
At 1 April 2021	82,728
Depreciation charged in the year	38,938
Revaluation	(121,666)
At 31 March 2022	-
Carrying amount	
At 31 March 2022	32,996,900
At 31 March 2021	4,542,272

The fair value of the properties has been arrived at on the basis of an independent valuation carried out in December 2021 by Wilks Head & Eve (WHE), RICS registered Chartered Surveyors. The surveyors completed the valuation report in accordance with the Existing Use Value (EUV) basis. A further valuation at the balance sheet date was deemed unnecessary where market conditions hadn't fluctuated since and appropriate and reliable market information existed for the directors to ascertain their own valuation.

4 Tangible fixed assets **(Continued)**

Land and buildings are carried at valuation. If land and buildings were measured using the cost model, the historic cost amounts would have been £29,146,014 (2021: £4,704,624).

Value of land in the freehold land and buildings is £7,068,980 (2021: £1,156,250).

5 Debtors

Amounts falling due within one year:	**2022** £	**2021** £
Trade debtors	33,088	11,006
Other debtors	45,591	993
	78,679	11,999

6 Creditors: amounts falling due within one year

	2022 £	**2021** £
Trade creditors	10,459	6,675
Amounts owed to parent company	546,630	148,105
Other creditors	59,206	140,879
	616,295	295,659

7 Creditors: amounts falling due after more than one year

	2022 £	**2021** £
Amounts owed to parent company	28,704,489	4,613,389

The long term intercompany loans provided by Spelthorne Borough Council (Parent) are secured by fixed charges over all the assets of the company.

The tangible assets purchased in 2019 and 2022 were funded by loans from Spelthorne Borough Council. The loan agreements were entered in March 2019 and March 2022 for a period of 50 years, with the interest rate taken from the Public Works Loan Board lending facility.

Creditors which fall due after five years are as follows:	**2022** £	**2021** £
Payable by instalments	27,409,288	4,359,813

8 Called up share capital

	2022	2021	2022	2021
Ordinary share capital	**Number**	**Number**	**£**	**£**
Issued and fully paid				
Ordinary share of £1 each	1	1	1	1

9 Revaluation reserve

	2022	2021
	£	**£**
At the beginning of the year	-	2,246,727
Revaluation surplus/(deficit) arising in the year	4,052,176	(2,326,352)
Deferred tax on revaluation of tangible assets	(731,535)	-
Other movements	-	79,625
At the end of the year	3,320,641	-

10 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2022	2021
	£	**£**
Acquisition of tangible fixed assets	-	15,286,000

The following is in relation to the prior years capital commitment:-

Due to the delays in handing over Benwell House Phase 1 and West Wing during 2021/22, and the ongoing delays with obtaining Council approval for the Oast House and Thameside House developments. The Directors requested a short term cash flow loan from the Council, which was granted through to 31 March 2022.

11 Parent company

Knowle Green Estates Limited is a private company limited by shares and incorporated in England and is a wholly owned subsidiary of Spelthorne Borough Council who's registered office is Spelthorne Borough Council, Knowle Green, Staines-Upon-Thames, TW18 1XB.

KNOWLE GREEN ESTATES LTD

DETAILED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2022

	2022		2021	
	£	£	£	£
Turnover				
Sales		781,359		168,437
Administrative expenses				
Management charge	310,708		130,464	
Waste	1,750		-	
Landscape / gardening	11,774		914	
Unexpected property related costs	525		-	
Non exec directors fees	10,264		9,212	
Letting costs	25,435		-	
Rates	22,853		(483)	
Cleaning	18,238		3,635	
Pest control	427		-	
Power, light and heat	15,253		3,081	
Repairs and maintenance	51,030		15,548	
Computer running costs	-		971	
Postage, courier and delivery charges	-		74	
Professional subscriptions	-		328	
Legal and professional fees	1,470		8,425	
Accountancy	1,750		1,000	
Audit fees	18,600		3,000	
Bank charges	2,299		892	
Insurances	1,624		1,512	
Telecommunications	3,435		799	
Depreciation	38,938		38,934	
(Profit)/loss on sale of tangible assets	-		(56,552)	
		(536,373)		(161,754)
Operating profit		244,986		6,683
Interest payable and similar expenses				
Bank interest on loans and overdrafts		(100,652)		(101,319)
Profit/(loss) before taxation		144,334		(94,636)

mgi midgley snelling llp
CHARTERED ACCOUNTANTS

Ibex House
Baker Street
Weybridge
Surrey KT13 8AH

Tel: +44 (0) 1932 853 393
Fax: +44 (0) 1932 854 323

email@midsnell.co.uk
www.midsnell.co.uk

Report to management
PRIVATE AND CONFIDENTIAL

Our ref: TKW/MP/S1160/643422

Board of Directors
Knowle Green Estates Limited
Council Offices, Knowle Green
Staines – Upon – Thames
TW18 1XB

23 March 2023

Dear Sir/Madam

REPORT TO MANAGEMENT – KNOWLE GREEN ESTATES LTD

During the course of our audit for the year ended 31 March 2022 a number of matters arose which we consider should be brought to your attention.

Accompanying this letter is a memorandum noting these points together with any recommendations we have for possible improvements which could be made.

These matters came to light during the course of our normal audit tests which are designed to assist us in forming our opinion on the financial statements. Our tests may not necessarily disclose all errors or irregularities and should not be relied upon to do so. However, if any irregularity did come to our attention during our audit tests, we would, of course, inform you immediately.

We have complied with the Financial Reporting Council's Ethical Standard and all threats to our independence, as identified to you in our planning communication letter dated 6 January 2023, have been properly addressed through appropriate safeguards. No additional facts or matters have arisen during the course of the audit that we wish to draw to your attention and we confirm that we are independent and able to express an objective opinion on the financial statements.

This report has been prepared for the sole use of the directors of Knowle Green Estates Ltd and must not be shown to third parties without our prior consent. No responsibilities are accepted by MGI Midgley Snelling LLP towards any party acting or refraining from action as a result of this report.

Finally, we would like to express our thanks to all of the company's staff who assisted us in carrying out our work.

Yours faithfully

[redacted]

SIGNIFICANT MATTERS RELEVANT TO OUR AUDIT FOR THE YEAR ENDED 31 MARCH 2022

Audit approach

There were no changes to our audit approach as set out to you in our letter dated 6 January 2023.

Summary of significant audit findings

Significant risk area identified at planning	Findings and recommendations
Revenue recognition Under ISA (UK) 240 there is a presumed risk of fraud in relation to revenue recognition. The presumption is that the company could adopt accounting policies or recognise sales in such a way as to lead to a material misstatement in the reported revenue position.	We carried out a review and testing of revenue recognition policies, including proof in total calculations for a sample of properties, cut off on invoicing was also checked. From the testing performed, no issues were identified.
Management override of controls Under ISA (UK) 240 there is a presumed risk that management and directors have the ability to process transactions or make adjustments to financial records outside of the normal financial control processes. Such transactions could lead to a material misstatement in the financial statements.	We carried out a review of accounting estimates, judgements and decisions made by management. We performed testing of journal entries and a review of unusual significant transactions. From the testing performed, no instances of management override of controls were identified.
Other areas where issues were identified during the audit	**Findings and recommendations**
Going concern Under ISA (UK) 570, the company's going concern has been considered.	From our review of forecasts and after discussions with management, the company looks in a strong position. We concur with management's assessment that it is appropriate to continue to adopt the going concern basis and there are no material uncertainties relating to going concern which should be disclosed in the financial statements.
Loan covenants The loan covenants have been reviewed to review any breaches in the terms of the agreement	From a review of the loan agreement with the Spelthorne Borough Council we note that the accounts have not been provided within the given timeframe stated on the contract clause 11.1.1. Whilst we understand that the chances of Spelthorne retracting the loan because of this breach is low, it should be recommended that the accounts are filed in line with the covenant to ensure there are no breaches with the loan agreement.

Security charges for the loans The loan agreements state that there are charges on them.	From a review of Companies House, we cannot see that the charges have been registered with there. Please ensure the charges are registered with Companies House to keep the register of charges up to date.

Internal controls

The purpose of the audit was for us to express an opinion on the financial statements. The audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. Our audit is, therefore, not designed to identify all control weaknesses and the matters reported below are limited to those deficiencies that we have identified during the audit.

Control weakness identified	Potential implications and recommendations
Accounting is all completed on Bluebox which is a tenancy management software. This does not operate well as a reliable financial reporting software and up to date financial information is not immediately available without adjustments made by spreadsheet.	Export of information from Bluebox into a more proprietary book keeping software would mean that reliable company financial information can be maintained without the need of using spreadsheets to reconcile information.
Included within the account are unknown figures, which should be reconciled. Within trade creditors is an adjustment for £10,793. Within amounts due to parent company is an amount of £4,134.	To reduce the risk of error in the accounts, all balances/entries should be understood so it can be certain that the year end balances are not mis-stated.

Summary of audit differences and draft letter of representation

We have attached a draft letter of management representations required in connection with our audit.

Attached to the letter of management representations is a schedule of all of the unadjusted misstatements noted during our work. We would be grateful if you could review these and confirm (as point 6 in the letter of representation) that you are satisfied that none of these need to be adjusted for in the financial statements.

Anticipated audit report

We anticipate that we will issue an unmodified audit report for the year, subject to the satisfactory clearance of any outstanding/unresolved the matters outlined in this report.

Going concern

We concur with management's assessment that it is appropriate to continue to adopt the going concern basis and there are no material uncertainties relating to going concern which should be disclosed in the financial statements.

Accounting policies, estimates and disclosures

The accounting policies used in preparing the financial statements are unchanged from the previous year.

Our work included a review of the adequacy of disclosures in the financial statements and consideration of the appropriateness of the accounting policies and estimation techniques adopted by the company. We found the disclosed accounting policies, significant accounting estimates and the overall disclosure and presentation to be appropriate for the company.

Related parties

We are not aware of any related party transactions which have not been disclosed.

Confirmations from third parties

All requested confirmations have been received.

Independence

In accordance with our profession's ethical guidance and further to our planning communication letter to you dated 6 January 2023 confirming audit planning arrangements there are no further matters to bring to your attention in relation to our integrity, objectivity and independence.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. We do not accept any responsibility for any loss occasioned to any third party acting or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

MGI Midgley Snelling LLP
Chartered Accountants
Ibex House
Baker Street
Weybridge
Surrey
KT13 8AH

Knowle Green Estates Ltd

Dear Sirs

The following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience such as we consider necessary in connection with your audit of the company's financial statements for the year ended 31 March 2022. These enquiries have included inspection of supporting documentation, where appropriate, and are sufficient to satisfy ourselves that we can make each of the following representations. All representations are made to the best of our knowledge and belief.

General

1. We have fulfilled our responsibilities as directors, as set out in the terms of your engagement letter dated 31 March 2022 under the Companies Act 2006, for preparing financial statements in accordance with applicable law and United Kingdom Accounting Standards (UK Generally Accepted Accounting Practice), for being satisfied that they give a true and fair view and for making accurate representations to you.

2. All the transactions undertaken by the company have been properly reflected and recorded in the accounting records.

3. All the accounting records have been made available to you for the purpose of your audit. We have provided you with unrestricted access to all appropriate persons within the company, and with all other records and related information requested, including minutes of all management and shareholder meetings.

4. The financial statements are free of material misstatements, including omissions.

5. We have considered the adjustments in Appendix 1. We confirm that, in our judgement, these adjustments are appropriate given the information available to us. We further confirm that we have now made these adjustments to the financial statements.

Knowle Green Estates Ltd, Council Offices, Knowle Green, Staines-upon-Thames, TW18 1XB
xxxxxxxxx@xxxxxxxxxxxxxxxx.co.uk Telephone: 01784 446296

Knowle Green Estates Ltd

6. The effects of uncorrected misstatements (as set out in the Appendix 2 to this letter) are immaterial both individually and in total.

Internal control and fraud

7. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error, and we believe that we have appropriately fulfilled these responsibilities. We have disclosed to you the results of our risk assessment that the financial statements may be misstated as a result of fraud.

8. We have disclosed to you all instances of known or suspected fraud affecting the entity involving management, employees who have a significant role in internal control or others where fraud could have a material effect on the financial statements.

9. We have also disclosed to you all information in relation to allegations of fraud or suspected fraud affecting the entity's financial statements communicated by current or former employees, analysts, regulators or others.

Assets and liabilities

10. The company has satisfactory title to all assets and there are no liens or encumbrances on the company's assets, except for those that are disclosed in the notes to the financial statements.

11. All actual liabilities, contingent liabilities and guarantees given to third parties have been recorded or disclosed as appropriate.

12. We have no plans or intentions that may materially alter the carrying value and, where relevant, the fair value measurements or classification of assets and liabilities reflected in the financial statements.

Accounting estimates

13. The methods, data and significant assumptions used by us in making accounting estimates, and their related disclosures, are appropriate to achieve recognition, measurement and disclosure that is reasonable in the context of the applicable financial reporting framework.

Knowle Green Estates Ltd, Council Offices, Knowle Green, Staines-upon-Thames, TW18 1XB
xxxxxxxxx@xxxxxxxxxxxxxxx.co.uk Telephone: 01784 446296

Knowle Green Estates Ltd

Loans and arrangements

14. The company has not granted any advances or credits to, or made guarantees on behalf of, directors other than those disclosed in the financial statements.

Legal claims

15. We have disclosed to you all claims in connection with litigation that have been, or are expected to be, received and such matters, as appropriate, have been properly accounted for and disclosed in the financial statements.

Laws and regulations

16. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

Related parties

17. Related party relationships and transactions have been appropriately accounted for and disclosed in the financial statements. We have disclosed to you all relevant information concerning such relationships and transactions and are not aware of any other matters which require disclosure in order to comply with the requirements of company law or accounting standards.

Subsequent events

18. All events subsequent to the date of the financial statements which require adjustment or disclosure have been properly accounted for and disclosed.

Going concern

19. We believe that the company's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the company's needs. We also confirm our plans for future action(s) required to enable the company to continue as a going concern are feasible. We have considered a period of twelve months from the date of approval of the financial statements. We believe that no further disclosures relating to the company's ability to continue as a going concern need to be made in the financial statements.

Specific matters

20. All In particular, we make the following representations in relation to the financial statements for the year ended 31 March 2022:

Knowle Green Estates Ltd, Council Offices, Knowle Green, Staines-upon-Thames, TW18 1XB
xxxxxxxxx@xxxxxxxxxxxxxxxx.co.uk Telephone: 01784 446296

Knowle Green Estates Ltd

a. We confirm that no holiday pay accrual is necessary for inclusion in the financial statements;

b. We confirm that a balance of £29,251,119 is due to the parent, Spelthorne Borough Council as at 31 March 2022.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware.

Each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully

[redacted]

....

Signed on behalf of the board of directors

Dated 29/3/23

APPENDIX 1

Reconciliation of draft to final accounts

	Profit increase /(decrease) £	Assets increase /(decrease) £	Liabilities increase /(decrease) £	Shareholders' funds £
Profit/(Loss) per draft financial statements	(1,853,835)			
Deferred tax liability	(731,535)		731,535	
Reanalysing fair value gain to the profit and loss	3,688,031	3,688,031		
Decrease in additions value resulting in increase in revaluation	2,376,314	2,376,314		
Management charge accrual	(14,000)		14,000	
Total adjustments	5,318,810	6,064,345	745,535	
Revised profit/(loss) per the financial statements	3,464,975			-

APPENDIX 2

Unadjusted errors or differences

	Profit increase /(decrease)	Assets increase /(decrease)	Liabilities increase /(decrease)	Shareholders' funds
	£	£	£	£
Revised profit/(loss) per financial statements as presented to the Board	3,464,975			
Missing trade creditor	(1,046)		1,046	
Total adjustments	(1,046)	-	1,046	-
Potential revised profit/(loss) per the financial statements	3,463,929			

Audit Committee

27 July 2023

Title	*Audited accounts for Spelthorne Direct Services Ltd, for the year end 31 March 2022.*
Purpose of the report	To note
Report Author	*Terry Collier Chief Finance Officer*
Ward(s) Affected	All Wards
Exempt	No
Corporate Priority	Environment Service delivery
Recommendations	**Committee is asked to note the report.**
Reason for Recommendation	*The Board of Directors at Spelthorne Direct Services Ltd approved the accounts for the year ended 31 March 2022 on 20 March 2023, following a meeting with the Auditors.* *The Auditors provided an unqualified audit report, and the accounts were filed at Companies House and with His Majesty's Revenue & Customs (HMRC), where there was no Corporation Tax to pay.*

1. Summary of the report

1.1 The unqualified audited accounts for the year ended 31 March 2022, were approved by the Spelthorne Direct Services Ltd, (SDS) Board on 20 March 2023 and filed at Companies House.

1.2 The was no Corporation Tax to pay.

1.3 The accounts show the following:

	2021/22	2020/21
Turnover	£199,598	£36.672
Profit/(loss) for the year	£58,893	(£48,552)
Total equity	£10,342	(£48,551)

1.4 Following the lifting of restrictions after the COVID-19 pandemic, the business has improved considerably in the next twelve months based on the unaudited draft accounts, with turnover increasing by 87% to £373,207, the reasons for this are twofold:

(a) The Company successfully tendered for and won a major contract with one of the private estates in the area.

(b) Exceptional Customer Service based upon the following feedback received from a customer.

"We changed from one of the largest suppliers in the waste industry to Spelthorne Direct Services about a year ago. We could not be happier, halved our price and trebled the service from Zoey and her team, her absolutely fabulous and so very helpful drivers. Nothing is too much trouble, rain or shine they do it with a smile. Not the easiest of jobs to collect our rubbish/recycling each week but it doesn't get much better than Spelthorne Direct Services. Huge thanks from us all" Guy and the team at ICD Couriers.

2. Key issues

2.1 The accounts for SDS are prepared by the internal staff at the company, with support from the Finance Team at Spelthorne Borough Council and are externally audited by MGI-Midgley Snelling.

2.2 Based upon their work carried out, the Directors signed the report on 20 March 2023 (Appendix A) and the Board formally accepted them on 21 March, following a meeting with Tracey Wickens, the Senior Statutory Auditor at MGI-Midgely Snelling.

2.3 Also attached is the Letter of Communication from the Auditor, which states that:

(a) The was no change in the audit process.

(b) There were no significant findings coming from the audit.

(c) There was an initial weakness identified regarding the assets, however, as subsequently explained to the Senior Statutory Auditor, **SDS does maintain accurate records of where each bin is located, the serial number of the bin, which are recorded in a system called Purgo.**

(d) A list of immaterial audit adjustments, see Appendix B below.

(e) Confirmation of an anticipated clean audit report being issued, subject to final checks and submissions.

(f) Confirmation that the auditors agree with the Directors views on:

i) Going concern

ii) Accounting policies and disclosures

(g) There were no related party issues.

(h) All third-party confirmations were received.

(i) Confirmation of MGI-Midgley Snellings independence.

2.4 As part of the normal audit process, the Directors were asked reprint the attached Letter of Representation (Appendix C) on company letter head, sign and return to the auditors, and there was nothing to highlight in this response.

2.5 This letter sets out key affirmations that the Directors have made during the audit process and that the auditors have highlighted, particularly in respect of Appendix A and B.

2.6 The aggregate adjustments are immaterial when considered as part of the group accounts. However, as Officers will be amending the Group accounts for the Council's other subsidiary, the Directors have accepted the small immaterial adjustments.

3. Financial implications

3.1 There are no further financial implications.

4. Risk considerations

4.1 There are none.

5. Procurement considerations

5.1 The external auditors were appointed following an appropriate procurement exercise.

6. Legal considerations

6.1 There are none.

7. Other considerations

7.1 There are none.

8. Equality and Diversity

8.1 There are none.

9. Sustainability/Climate Change Implications

9.1 SDS actively encourages business to recycle their dry mixed recyclables and food waste cutting down on emissions of methane from food waste breaking down in landfill.

10. Timetable for implementation

10.1 Not applicable.

11. Contact

Terry Collier, Chief Finance Officer t.collier@spelthrone.gov.uk

Background papers: There are none.

Appendices:
Appendix A – SDS Audited accounts 31 March 2022
Appendix B – SDS Letter of Communication 31 March 2022
Appendix C – SDS Letter of Representation 31 March 2022

This page is intentionally left blank

Company registration number 12700913 (England and Wales)

SPELTHORNE DIRECT SERVICES LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

SPELTHORNE DIRECT SERVICES LTD

COMPANY INFORMATION

Directors	J C Taylor	
	P L P Taylor	(Appointed 19 July 2022)
Company number	12700913	
Registered office	Council Offices Knowle Green Staines-Upon-Thames Middlesex TW18 1XB	
Auditor	MGI Midgley Snelling LLP Ibex House Baker Street Weybridge Surrey KT13 8AH	

CONTENTS

SPELTHORNE DIRECT SERVICES LTD

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2022

The directors present their annual report and financial statements for the year ended 31 March 2022.

Principal activities
The company's principal activity during the period is the collection, treatment and disposal of non-hazardous waste and combined facilities support support activities.

Directors
The directors who held office during the year and up to the date of signature of the financial statements were as follows:

J C Taylor	
T M Collier	(Resigned 19 July 2022)
P L P Taylor	(Appointed 19 July 2022)

Statement of directors' responsibilities
The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditor
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

Small companies exemption
This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

On behalf of the board

....
P L P Taylor
Director

Date: ....

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SPELTHORNE DIRECT SERVICES LTD

Opinion

We have audited the financial statements of Spelthorne Direct Services Ltd (the 'company') for the year ended 31 March 2022 which comprise the profit and loss account, the balance sheet, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:
- give a true and fair view of the state of the company's affairs as at 31 March 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:
- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report. We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

In planning and designing our audit tests, we identify and assess the risks of material misstatements within the financial statements, whether due to fraud or error. Our assessment of these risks includes consideration of the nature of the industry and sector, the control environment and the business performance along with the results of our enquiries of management, about their own identification and assessment of the risks of irregularities. We are also required to perform specific procedures to respond to the risk of management override.

As a result of this assessment, we considered the opportunities and incentives that may exist within the company for fraud and identified that the greatest area of risk was in relation to management override.

We have obtained an understanding of the legal and regulatory frameworks that the company operates in from discussions with the director and our knowledge of the company and its industry sector. We have focused on the provisions of those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act and local tax legislation.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF SPELTHORNE DIRECT SERVICES LTD

We performed the following audit procedures after consideration of the above risks which included the following:

- enquiry of management of actual and potential litigation and claims;
- reviewing correspondence with HMRC and the company’s legal advisors;
- reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- reviewing meeting minutes between the directors and employees during the year.

The engagement partner has assessed that all engagement team members were made aware of the relevant laws and regulations and potential fraud risks and were reminded to remain alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. The risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities is available on the Financial Reporting Council’s website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Tracey Wickens
Senior Statutory Auditor
For and on behalf of MGI Midgley Snelling LLP

Date: ....

Chartered Accountants
Statutory Auditor

Ibex House
Baker Street
Weybridge
Surrey
KT13 8AH

SPELTHORNE DIRECT SERVICES LTD

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2022

		Year ended 31 March 2022 £	Period ended 31 March 2021 £
Turnover		198,588	36,672
Cost of sales		(26,851)	-
Gross profit		171,737	36,672
Administrative expenses		(107,607)	(84,174)
Operating profit/(loss)		64,130	(47,502)
Interest payable and similar expenses	**3**	(5,237)	(1,050)
Profit/(loss) before taxation		58,893	(48,552)
Tax on profit/(loss)		-	-
Profit/(loss) for the financial year		58,893	(48,552)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

SPELTHORNE DIRECT SERVICES LTD

BALANCE SHEET

AS AT 31 MARCH 2022

	Notes	2022 £	2022 £	2021 £	2021 £
Fixed assets					
Intangible assets	**4**		-		3,980
Tangible assets	**5**		63,734		35,365
			63,734		39,345
Current assets					
Debtors	**6**	25,857		13,757	
Cash at bank and in hand		77,654		40,363	
		103,511		54,120	
Creditors: amounts falling due within one year	**7**	(53,903)		(79,016)	
Net current assets/(liabilities)			49,608		(24,896)
Total assets less current liabilities			113,342		14,449
Creditors: amounts falling due after more than one year	**8**		(103,000)		(63,000)
Net assets/(liabilities)			10,342		(48,551)
Capital and reserves					
Called up share capital	**9**		1		1
Profit and loss reserves			10,341		(48,552)
Total equity			10,342		(48,551)

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the board of directors and authorised for issue on .... and are signed on its behalf by:

....
J C Taylor
Director

Company Registration No. 12700913

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2022

	Share capital	Profit and loss reserves	Total
	£	£	£
Balance at 1 April 2020	1	-	1
Period ended 31 March 2021:			
Loss and total comprehensive income for the period	-	(48,552)	(48,552)
Balance at 31 March 2021	1	(48,552)	(48,551)
Year ended 31 March 2022:			
Profit and total comprehensive income for the year	-	58,893	58,893
Balance at 31 March 2022	1	10,341	10,342

1 Accounting policies

Company information

Spelthorne Direct Services Ltd is a private company limited by shares incorporated in England and Wales. The registered office is Council Offices, Knowle Green, Staines-Upon-Thames, Middlesex, TW18 1XB.

1.1 Reporting period

The accounting period was nine months in 2021 as the company was incorporated in June 2020. Therefore the comparative amounts presented in the financial statements are not entirely comparable.

1.2 Accounting convention

These financial statements have been prepared in accordance with FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” (“FRS 102”) and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.3 Going concern

The COVID-19 pandemic has had a significant impact on the business due to the number of lockdowns imposed on key business sectors such as, hospitality, during the year, which has allowed the business to ensure that its administrative systems can deal with the level of business expected over the next 24 months. Spelthorne Borough Council has provided a £450,000 start up loan facility which the directors have only partially drawn down. The directors feel that this facility is sufficient to enable the company to continue to trade over the next twelve months from the date of signing the accounts.

1.4 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

1.5 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Software	20% on cost

1.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

1 Accounting policies **(Continued)**

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Plant and equipment	10 - 20% straight line basis
Computers	20% straight line basis

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.7 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.8 Financial instruments

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

1.9 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.10 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee’s services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.11 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

2 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2022 Number	2021 Number
Total	3	3

3 Interest payable and similar expenses

	2022 £	2021 £
Interest payable and similar expenses includes the following:		
Interest payable to group undertakings	5,237	1,050

4 Intangible fixed assets

	Other £
Cost	
At 1 April 2021	4,975
Reclassified as profit and loss item	(4,975)
At 31 March 2022	-
Amortisation and impairment	
At 1 April 2021	995
Reclassified as profit and loss item	(995)
At 31 March 2022	-
Carrying amount	
At 31 March 2022	-
At 31 March 2021	3,980

5 Tangible fixed assets

	Plant and machinery etc £
Cost	
At 1 April 2021	40,252
Additions	36,628
At 31 March 2022	76,880
Depreciation and impairment	
At 1 April 2021	4,887
Depreciation charged in the year	8,259
At 31 March 2022	13,146
Carrying amount	
At 31 March 2022	63,734
At 31 March 2021	35,365

6 Debtors

Amounts falling due within one year:	2022 £	2021 £
Trade debtors	25,856	4,272
Other debtors	1	9,485
	25,857	13,757

7 Creditors: amounts falling due within one year

	2022 £	2021 £
Trade creditors	17,244	8,017
Amounts owed to parent undertakings	24,708	65,012
Taxation and social security	4,413	2,019
Other creditors	7,538	3,968
	53,903	79,016

8 Creditors: amounts falling due after more than one year

	Notes	2022 £	2021 £
Amounts owed to parent undertakings		103,000	63,000

8 Creditors: amounts falling due after more than one year **(Continued)**

Amounts included above which fall due after five years are as follows:

Payable other than by instalments	103,000	63,000

9 Called up share capital

Ordinary share capital	**2022 Number**	**2021 Number**	**2022 £**	**2021 £**
Issued and not fully paid				
Ordinary share of £1 each	1	1	1	1

10 Financial commitments, guarantees and contingent liabilities

At the date of the balance sheet, the company had an outstanding commitment of 2022: Nil (2021: £96) due in relation to employers pension costs.

11 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2022 £	**2021 £**
Acquisition of tangible fixed assets	280,458	-

As at 31 March 2022 the company had a capital commitment of £280,458. The commitment related to the purchase of a waste refuse vehicle which was delivered in August 2022.

12 Parent company

Spelthorne Direct Services Limited is a private company limited by shares and incorporated in England and is a wholly owned subsidiary of Spelthorne Borough Council who's registered office is Spelthorne Borough Council, Knowle Green, Staines-Upon-Thames, TW18 1XB.

SPELTHORNE DIRECT SERVICES LTD

DETAILED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2022

	2022	Year ended 31 March 2022	2021	Period ended 31 March 2021
	£	£	£	£
Turnover				
Sales		198,588		36,672
Cost of sales				
Direct costs	26,851		-	
Total cost of sales		(26,851)		-
Gross profit		171,737		36,672
Administrative expenses				
Wages and salaries	32,241		12,083	
Social security costs	3,135		1,162	
Temporary staff	13,724		16,533	
Subcontract labour	1,313		-	
Staff recruitment costs	-		5,220	
Staff training	345		113	
Staff pension costs	1,290		483	
Computer running costs	4,718		3,827	
Hire of equipment (not operating lease)	1,225		225	
Motor running expenses	18,693		2,341	
Travelling expenses	80		-	
Postage, courier and delivery charges	243		101	
Professional subscriptions	9,374		9,217	
Legal and professional fees	-		3,298	
Audit fees	3,500		3,750	
Bank charges	884		29	
Printing and stationery	445		168	
Advertising	4,888		19,090	
Telecommunications	950		130	
Entertaining	208		22	
Sundry expenses	892		-	
Storage costs	1,200		500	
Amortisation	-		995	
Depreciation	8,259		4,887	
		(107,607)		(84,174)
Operating profit/(loss)		64,130		(47,502)
Interest payable and similar expenses				
Interest payable to group companies		(5,237)		(1,050)
Profit/(loss) before taxation		58,893		(48,552)

mgi midgley snelling llp
CHARTERED ACCOUNTANTS

Ibex House
Baker Street
Weybridge
Surrey KT13 8AH

Tel: +44 (0) 1932 853 393
Fax: +44 (0) 1932 854 323

email@midsnell.co.uk
www.midsnell.co.uk

Report to management
PRIVATE AND CONFIDENTIAL

Our ref: TKW/MP/S1160/643422

Board of Directors
Spelthorne Direct Services Limited
Council Offices, Knowle Green
Staines – Upon – Thames
TW18 1XB

17 March 2023

Dear Sir/Madam

REPORT TO MANAGEMENT – SPELTHORNE DIRECT SERVICES LTD

During the course of our audit for the year ended 31 March 2022 a number of matters arose which we consider should be brought to your attention.

Accompanying this letter is a memorandum noting these points together with any recommendations we have for possible improvements which could be made.

These matters came to light during the course of our normal audit tests which are designed to assist us in forming our opinion on the financial statements. Our tests may not necessarily disclose all errors or irregularities and should not be relied upon to do so. However, if any irregularity did come to our attention during our audit tests, we would, of course, inform you immediately.

We have complied with the Financial Reporting Council's Ethical Standard and all threats to our independence, as identified to you in our planning communication letter dated 18 November 2022, have been properly addressed through appropriate safeguards. No additional facts or matters have arisen during the course of the audit that we wish to draw to your attention and we confirm that we are independent and able to express an objective opinion on the financial statements.

This report has been prepared for the sole use of the directors of Spelthorne Direct Services Ltd and must not be shown to third parties without our prior consent. No responsibilities are accepted by MGI Midgley Snelling LLP towards any party acting or refraining from action as a result of this report.

Finally, we would like to express our thanks to all of the company's staff who assisted us in carrying out our work.

Yours faithfully

[redacted]

SIGNIFICANT MATTERS RELEVANT TO OUR AUDIT FOR THE YEAR ENDED 31 MARCH 2022

Audit approach

There were no changes to our audit approach as set out to you in our letter dated 18 November 2022.

Summary of significant audit findings

Significant risk area identified at planning	Findings and recommendations
Revenue recognition Under ISA (UK) 240 there is a presumed risk of fraud in relation to revenue recognition. The presumption is that the company could adopt accounting policies or recognise sales in such a way as to lead to a material misstatement in the reported revenue position.	We carried out a review and testing of revenue recognition policies, including transaction testing from source documents and cut off testing. From the testing performed, no issues were identified.
Management override of controls Under ISA (UK) 240 there is a presumed risk that management and directors have the ability to process transactions or make adjustments to financial records outside of the normal financial control processes. Such transactions could lead to a material misstatement in the financial statements.	We carried out a review of accounting estimates, judgements and decisions made by management. We performed testing of journal entries and a review of unusual significant transactions. From the testing performed, no instances of management override of controls were identified.
Other areas where issues were identified during the audit	**Findings and recommendations**
Going concern Under ISA (UK) 570, the company's going concern has been considered.	From our review of forecasts and after discussions with management, the company looks in a strong position. We concur with management's assessment that it is appropriate to continue to adopt the going concern basis and there are no material uncertainties relating to going concern which should be disclosed in the financial statements.
Loan covenants The loan covenants have been reviewed to review any breaches in the terms of the agreement.	From a review of the loan agreement with the Spelthorne Borough Council we note that the accounts have not been provided within the given timeframe stated on the contract clause 11.1.1. Whilst we understand that the chances of Spelthorne retracting the loan because of this breach is low, it should be recommended that the accounts are filed in line with the covenant to ensure there are no breaches with the loan agreement.

Internal controls
The purpose of the audit was for us to express an opinion on the financial statements. The audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. Our audit is, therefore, not designed to identify all control weaknesses and the matters reported below are limited to those deficiencies that we have identified during the audit.

Control weakness identified	Potential implications and recommendations
Location of fixed assets We noted during the audit that there was no method of distinguishing between the assets, particularly bins that the company has ownership of.	Potential over/understating of assets as you are unaware of the location of the assets. Keep accurate records such as a fixed asset tracker.

Summary of audit differences and draft letter of representation

We have attached a draft letter of management representations required in connection with our audit.

Attached to the letter of management representations is a schedule of all of the unadjusted misstatements noted during our work. We would be grateful if you could review these and confirm (as point 6 in the letter of representation) that you are satisfied that none of these need to be adjusted for in the financial statements.

Anticipated audit report

We anticipate that we will issue an unmodified audit report for the year, subject to the satisfactory clearance of any outstanding/unresolved the matters outlined in this report.

Going concern
We concur with management's assessment that it is appropriate to continue to adopt the going concern basis and there are no material uncertainties relating to going concern which should be disclosed in the financial statements.

Accounting policies, estimates and disclosures
The accounting policies used in preparing the financial statements are unchanged from the previous year.

Our work included a review of the adequacy of disclosures in the financial statements and consideration of the appropriateness of the accounting policies and estimation techniques adopted by the company. We found the disclosed accounting policies, significant accounting estimates and the overall disclosure and presentation to be appropriate for the company.

Related parties
We are not aware of any related party transactions which have not been disclosed.

Confirmations from third parties
All requested confirmations have been received.

Independence

In accordance with our profession's ethical guidance and further to our planning communication letter to you dated 18 November 2022 confirming audit planning arrangements there are no further matters to bring to your attention in relation to our integrity, objectivity and independence.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. We do not accept any responsibility for any loss occasioned to any third party acting or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

SPELTHORNE
DIRECT
SERVICES

MGI Midgley Snelling LLP
Chartered Accountants
Ibex House
Baker Street
Weybridge
Surrey
KT13 8AH

Dear Sirs

The following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience such as we consider necessary in connection with your audit of the company's financial statements for the year ended 31 March 2022. These enquiries have included inspection of supporting documentation, where appropriate, and are sufficient to satisfy ourselves that we can make each of the following representations. All representations are made to the best of our knowledge and belief.

General

1. We have fulfilled our responsibilities as directors, as set out in the terms of your engagement letter dated 31 March 2022 under the Companies Act 2006, for preparing financial statements in accordance with applicable law and United Kingdom Accounting Standards (UK Generally Accepted Accounting Practice), for being satisfied that they give a true and fair view and for making accurate representations to you.
2. All the transactions undertaken by the company have been properly reflected and recorded in the accounting records.
3. All the accounting records have been made available to you for the purpose of your audit. We have provided you with unrestricted access to all appropriate persons within the company, and with all other records and related information requested, including minutes of all management and shareholder meetings.
4. The financial statements are free of material misstatements, including omissions.
5. We have considered the adjustments in Appendix 1. We confirm that, in our judgement, these adjustments are appropriate given the information available to us. We further confirm that we have now made these adjustments to the financial statements.
6. The effects of uncorrected misstatements (as set out in the Appendix 2 to this letter) are immaterial both individually and in total.

White House Depot, Kingston Road, Ashford, Surrey, TW15 3SE
01784 605620
VAT # - 353008528 Company Reg # - 12700913
www.spelthornedirectservices.co.uk

Subsequent events

18. All events subsequent to the date of the financial statements which require adjustment or disclosure have been properly accounted for and disclosed.

Going concern

19. We believe that the company's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the company's needs. We also confirm our plans for future action(s) required to enable the company to continue as a going concern are feasible. We have considered a period of twelve months from the date of approval of the financial statements. We believe that no further disclosures relating to the company's ability to continue as a going concern need to be made in the financial statements.

Specific matters

20. All In particular, we make the following representations in relation to the financial statements for the year ended 31 December 2022:

    a. We confirm that no holiday pay accrual is necessary for inclusion in the financial statements;

    b. We confirm that an amount of £127,708 is due to the parent company, Spelthorne Borough Council as at 31 March 2022.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware.

Each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully

...[redacted]............... .....[redacted].....

Signed on behalf of the board of directors.

Dated 20 March 2023

Company registration number 12700913 (England and Wales)

SPELTHORNE DIRECT SERVICES LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

SPELTHORNE DIRECT SERVICES LTD

CONTENTS

SPELTHORNE DIRECT SERVICES LTD

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SPELTHORNE DIRECT SERVICES LTD

Opinion

We have audited the financial statements of Spelthorne Direct Services Ltd (the 'company') for the year ended 31 March 2022 which comprise the profit and loss account, the balance sheet, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF SPELTHORNE DIRECT SERVICES LTD

We performed the following audit procedures after consideration of the above risks which included the following:

- enquiry of management of actual and potential litigation and claims;
- reviewing correspondence with HMRC and the company's legal advisors;
- reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- reviewing meeting minutes between the directors and employees during the year.

The engagement partner has assessed that all engagement team members were made aware of the relevant laws and regulations and potential fraud risks and were reminded to remain alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. The risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities is available on the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Tracey Wickens
Senior Statutory Auditor
For and on behalf of MGI Midgley Snelling LLP

Date: ....

Chartered Accountants
Statutory Auditor

Ibex House
Baker Street
Weybridge
Surrey
KT13 8AH

APPENDIX 1

Reconciliation of draft to final accounts

	Profit increase /(decrease)	Assets increase /(decrease)	Liabilities increase /(decrease)	Shareholders' funds
	£	£	£	£
Profit/(Loss) per draft financial statements	52,923			
Reverse computer software cost to profit and loss	4,975	4,975		
Reverse amortisation of intangible asset	995	995		
Total adjustments	5,970	5,970		
Revised profit/(loss) per the financial statements	58,893		-	-

APPENDIX 2

Unadjusted errors or differences

	Profit increase /(decrease) £	Assets increase /(decrease) £	Liabilities increase /(decrease) £	Shareholders' funds £
Revised profit/(loss) per financial statements as presented to the Board	58,893			
After date invoice not accrued for	(1,248)		1,248	
Difference on audit accrual	(2,000)		2,000	
Holiday leave accruals	(1,273)		1,458	
NBV of computer software omitted from balance sheet	2,985	2,985		
Total adjustments	(1,536)	2,985	4,521	-
Potential revised profit/(loss) per the financial statements	57,357			

Northern Ireland information

856	Amount of group relief claimed which relates to NI trading losses used against rest of UK/mainstream profits	£ .00
857	Amount of group relief claimed which relates to NI trading losses used against NI trading profits	£ .00
858	Amount of group relief claimed which relates to rest of UK/mainstream losses used against NI trading profits	£ .00

Overpayments and repayments

Small repayments

860 Do not repay sums of £ .00 or less.

Read the overpayments and repayments section of the Company Tax Return Guide for specific guidance on when and how to make an entry in this box.

Repayments for the period covered by this return

865	Repayment of Corporation Tax	£ .
870	Repayment of Income Tax	£ .
875	Payable Research and Development tax credit	£ .
880	Payable Research and Development expenditure credit	£ .
885	Payable creative tax credit	£ .
890	Payable land remediation or life assurance company tax credit	£ .
895	Payable capital allowances first-year tax credit	£ .

Surrender of tax refund within group

Including surrenders under the Instalment Payments Regulations

900 The following amount is to be surrendered £ .

Put an 'X' in the appropriate boxes below

the joint Notice is attached 905

or

will follow 910

915 Please stop repayment of the following amount until we send you the Notice £ .

Information about capital allowances and balancing charges

Allowances and charges in the calculation of trading profits and losses

	Capital allowances	Balancing charges
Annual investment allowance	690 £	
Machinery and plant – super-deduction	691 £	692 £
Machinery and plant – special rate allowance	693 £	694 £
Machinery and plant – special rate pool	695 £	700 £
Machinery and plant – main pool	705 £ 47617	710 £
Structures and buildings	711 £	
Business premises renovation	715 £	720 £
Other allowances and charges	725 £	730 £
	Capital allowances	**Disposal value**
Electric charge-points	713 £	714 £
Enterprise zones	721 £	722 £
Zero emissions goods vehicles	723 £	724 £
Zero emissions cars	726 £	727 £

Allowances and charges not included in the calculation of trading profits and losses

	Capital allowances	Balancing charges
Annual investment allowance	735 £	
Structures and buildings	736 £	
Business premises renovation	740 £	745 £
Machinery and plant – super-deduction	741 £	742 £
Machinery and plant – special rate allowance	743 £	744 £
Other allowances and charges	750 £	755 £
	Capital allowances	**Disposal value**
Electric charge-points	737 £	738 £
Enterprise zones	746 £	747 £
Zero emissions goods vehicles	748 £	749 £
Zero emissions cars	751 £	752 £

Calculation of tax outstanding or overpaid - continued

526	**Coronavirus support schemes overpayment now due** - total of boxes 471 and 474 minus boxes 472 and 473	£ 0.00
527	**Restitution tax**	£
528	**Self-assessment of tax payable** - total of boxes 525, 526 and 527	£ 0.00

Tax reconciliation

530	**Research and Development credit**	£
535	**(Not currently used)**	£
540	**Creative tax credit**	£
545	**Total of Research and Development credit and creative tax credit** - total box 530 to 540	£
550	**Land remediation tax credit**	£
555	**Life assurance company tax credit**	£
560	**Total land remediation and life assurance company tax credit** - total box 550 and 555	£
565	**Capital allowances first-year tax credit**	£
570	**Surplus Research and Development credits or creative tax credit payable** - box 545 minus box 525	£
575	**Land remediation or life assurance company tax credit payable** - total of boxes 545 and 560 minus boxes 525 and 570	£
580	**Capital allowances first-year tax credit payable** - boxes 545, 560 and 565 minus boxes 525, 570 and 575	£
585	**Ring fence Corporation Tax included**	£
586	**NI Corporation Tax included**	£
590	**Ring fence supplementary charge included**	£
595	**Tax already paid (and not already repaid)**	£
600	**Tax outstanding** - box 525 minus boxes 545, 560, 565 and 595	£
605	**Tax overpaid including surplus or payable credits** - total sum of boxes 545, 560, 565 and 595 minus 525	£

Deductions and Reliefs - continued

263	**Carried forward non-trade deficits from loan relationships and derivative contracts (financial instruments)**	£ 1050 . 00
265	**Non-trading losses on intangible fixed assets**	£ . 00
275	**Total trading losses of this or a later accounting period**	£ . 00
280	**Put an 'X' in box 280 if amounts carried back from later accounting periods are included in box 275**	
285	**Trading losses carried forward and claimed against total profits**	£ 22577 . 00
290	**Non-trade capital allowances**	£ . 00
295	**Total of deductions and reliefs** - total of boxes 240 to 275, 285 and 290	£ 28864 . 00
300	**Profits before qualifying donations and group relief** - box 235 minus box 295	£ 0 . 00
305	**Qualifying donations**	£ . 00
310	**Group relief**	£ . 00
312	**Group relief for carried forward losses**	£ . 00
315	**Profits chargeable to Corporation Tax** - box 300 minus boxes 305, 310 and 312	£ 0 . 00
320	**Ring fence profits included**	£ . 00
325	**Northern Ireland profits included**	£ . 00

Tax calculation

Enter how much profit has to be charged and at what rate

	Financial year (yyyy)		Amount of profit		Rate of tax %		Tax
330	2 0 2 1	335	£	340	19%	345	£ p
		350	£	355		360	£ p
		365	£	370		375	£ p
380		385	£	390		395	£ p
		400	£	405		410	£ p
		415	£	420		425	£ p

Corporation Tax - total of boxes 345, 360, 375, 395, 410 and 425	430	£ 0 . 00
Marginal relief for ring fence trades	435	£ .
Corporation Tax chargeable - box 430 minus box 435	440	£ 0 . 00

About this return - continued

Accounts and computations

80	**I attach accounts and computations for the period to which this return relates**	X
85	**I attach accounts and computations for a different period**	
90	**If you are not attaching the accounts and computations, explain why**	

Supplementary pages enclosed

95	**Loans and arrangements to participators by close companies** - form CT600A	
100	**Controlled foreign companies, foreign permanent establishment exemptions, hybrid and other mismatches** - form CT600B	
105	**Group and consortium** - form CT600C	
110	**Insurance** - form CT600D	
115	**Charities and Community Amateur Sports Clubs (CASCs)** - form CT600E	
120	**Tonnage tax** - form CT600F	
125	**Northern Ireland** - form CT600G	
130	**Cross-border royalties** - form CT600H	
135	**Supplementary charge in respect of ring fence trades** - form CT600I	
140	**Disclosure of Tax Avoidance Schemes** - form CT600J	
141	**Restitution tax** - form CT600K	
142	**Research and Development** - form CT600L	
143	**Freeports** - form CT600M	

Tax calculation

Turnover

145	**Total turnover from trade**	£ 198588.00
150	**Banks, building societies, insurance companies and other financial concerns** - put an 'X' in this box if you do not have a recognised turnover and have not made an entry in box 145	

Income

155	**Trading profits**	£ 28864.00
160	**Trading losses brought forward set against trading profits**	£ .00
165	**Net trading profits** - box 155 minus box 160	£ 28864.00
170	**Bank, building society or other interest, and profits from non-trading loan relationships**	£ .00
172	**Put an 'X' in box 172 if the figure in box 170 is net of carrying back a deficit from a later accounting period**	

SPELTHORNE DIRECT SERVICES LTD

DETAILED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2022

	2022	Year ended 31 March 2022	2021	Period ended 31 March 2021
	£	£	£	£
Turnover				
Sales		198,588		36,672
Cost of sales				
Direct costs	26,851		-	
Total cost of sales		(26,851)		-
Gross profit		171,737		36,672
Administrative expenses				
Wages and salaries	32,241		12,083	
Social security costs	3,135		1,162	
Temporary staff	13,724		16,533	
Subcontract labour	1,313		-	
Staff recruitment costs	-		5,220	
Staff training	345		113	
Staff pension costs	1,290		483	
Computer running costs	4,718		3,827	
Hire of equipment (not operating lease)	1,225		225	
Motor running expenses	18,693		2,341	
Travelling expenses	80		-	
Postage, courier and delivery charges	243		101	
Professional subscriptions	9,374		9,217	
Legal and professional fees	-		3,298	
Audit fees	3,500		3,750	
Bank charges	884		29	
Printing and stationery	445		168	
Advertising	4,888		19,090	
Telecommunications	950		130	
Entertaining	208		22	
Sundry expenses	892		-	
Storage costs	1,200		500	
Amortisation	-		995	
Depreciation	8,259		4,887	
		(107,607)		(84,174)
Operating profit/(loss)		64,130		(47,502)
Interest payable and similar expenses				
Interest payable to group companies		(5,237)		(1,050)
Profit/(loss) before taxation		58,893		(48,552)

5 Tangible fixed assets

	Plant and machinery etc
	£
Cost	
At 1 April 2021	40,252
Additions	36,628
At 31 March 2022	76,880
Depreciation and impairment	
At 1 April 2021	4,887
Depreciation charged in the year	8,259
At 31 March 2022	13,146
Carrying amount	
At 31 March 2022	63,734
At 31 March 2021	35,365

6 Debtors

	2022	2021
Amounts falling due within one year:	£	£
Trade debtors	25,856	4,272
Other debtors	1	9,485
	25,857	13,757

7 Creditors: amounts falling due within one year

	2022	2021
	£	£
Trade creditors	17,244	8,017
Amounts owed to parent undertakings	24,708	65,012
Taxation and social security	4,413	2,019
Other creditors	7,538	3,968
	53,903	79,016

8 Creditors: amounts falling due after more than one year

	Notes	2022	2021
		£	£
Amounts owed to parent undertakings		103,000	63,000

1 Accounting policies **(Continued)**

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Plant and equipment	10 - 20% straight line basis
Computers	20% straight line basis

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.7 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.8 Financial instruments

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

1.9 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.10 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.11 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

SPELTHORNE DIRECT SERVICES LTD

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2022

	Share capital	Profit and loss reserves	Total
	£	£	£
Balance at 1 April 2020	1	-	1
Period ended 31 March 2021:			
Loss and total comprehensive income for the period	-	(48,552)	(48,552)
Balance at 31 March 2021	1	(48,552)	(48,551)
Year ended 31 March 2022:			
Profit and total comprehensive income for the year	-	58,893	58,893
Balance at 31 March 2022	1	10,341	10,342

Bank details (for a person to whom a repayment is to be made)

920	**Name of bank or building society**	
925	**Branch sort code**	
930	**Account number**	
935	**Name of account**	
940	**Building society reference**	

Payments to a person other than the company

945 **Complete the authority below if you want the repayment to be made to a person other than the company**
I, as (enter status - for example, company secretary, treasurer, liquidator or authorised agent)

950 **of** (enter company name)

955 **authorise** (enter name)

960 **of address** (enter address)

965 **Nominee reference**

to receive payment on company's behalf

970 **Name**

Declaration

Declaration
I declare that the information I have given on this Company Tax Return and any supplementary pages is correct and complete to the best of my knowledge and belief.

I understand that giving false information in the return, or concealing any part of the company's profits or tax payable, can lead to both the company and me being prosecuted.

975 **Name**

J TAYLOR

980 **Date** DD MM YYYY

20 03 2023

985 **Status**

DIRECTOR

Audit Committee

27 July 2023

Title	*2022-23 Draft Unaudited Financial Statements*
Purpose of the report	To note
Report Author	*Paul Taylor 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 report and the draft unaudited financial statements, which were published on the Council's website on 31 May 2023, in accordance with the statutory deadline.**
Reason for Recommendation	*Spelthorne Borough Council must publish a draft set of unaudited accounts for 2022-23 by 31 May, in accordance with statutory deadlines.*

1. Summary of the report

1.1 In accordance with the Finance Team's audit timetable, the Council published, the following items, as required and by the statutory deadline of 31 May 2023:

(a) Declaration of inspection period

(b) Declaration of publication of draft unaudited statement of accounts

(c) Draft set of unaudited statement of accounts (see appendix A) for the year ended 31 March 2023.

1.2 Based on the statistics supplied by LG Futures, Spelthorne Borough Council was part of the 30% of Council's in England that met the statutory deadline.

1.3 The accounts give a true and fair view of the Council's finances at 31 March 2023.

1.4 There are a number of minor issues, around roundings, some incorrect figures in the prior year tables and the challenge with the Knowle Green Estates Audit (see 2.2(j) below) that were identified prior to publishing and considered to be immaterial. In consultation with our external auditors on these matters around the publication process, we were asked not to update the draft unaudited statement of accounts, until after the Public Inspection Period had closed on the 13 July.

1.5 The draft unaudited financial statements for the year ended 31 March 2023 will be updated after this meeting.

2. Key issues

2.1 The Council's unaudited financial statements take the approved net expenditure outturn position at 31 March 2023, (Corporate Policy and Resources Committee (CPRC)) approved a balanced Outturn at 2022-23) 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 Statement (CIES) shown in the Accounts.

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

(a) The CIES shows an overall accounting (not a cash) deficit of £108.5m (2021-22: a surplus of £22.8m) (see 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 65). The main reasons for the deficit are as follows:

i) A downward revaluation of £1.4m (2021-22: an upward revaluation of (£4.9m)) on our municipal assets that are revalued every 5 years.

ii) An upward revaluation of (£36.6m) (2021-22: (£15.6m surplus) in the Council's share of Surrey Local Government Pension Fund net liabilities due to actuarial gains and changes in assumptions made by the Fund.

(b) This year saw a net reduction of £161.2m (2021-22: £23.4m net reduction) in our investment portfolio valuation. (Note thirteen on page 70). This is a short term ongoing national situation as a result of the COVID-19 Pandemic, the Cost-of-Living Crisis and a significant increase in the Bank of England Base Rate and represents a paper loss. Officers are of the view, that the long-term upward trend in property values, as experienced over the last 150 years will return and the impairment losses are likely to be recovered over a number of years.

(c) The Council holds these assets for their long-term income streams, rather than capital appreciation, in 2022-23 the Council has collected to date 99.19% (2021-22: 99.98%) of rental invoiced on its investment assets.

(d) Council currently has no plans to sell off any of these proprieties and therefore, these paper losses will not crystallise, as any losses on disposal would significantly impact on the Council's revenue budget and earmarked reserves balances, as the Council, would have to cover any shortfalls in the General Fund.

(e) The Council has managed to maintain its level of investment income, notably gross rents (see note thirteen on page 59) from our investment properties at £52.5m (2021-22: £53.3m).

(f) As a result of this strong performance in rental income received, the Council has managed to increase its cash contributions to the sinking fund reserves by £4.2m (2021-22: £7.7m) resulting in a balance of £37.8m (2021-22: £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).

(g) 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.

(h) On 26 June 2023, Corporate Policy & Resources Committee approved the £0.48m increase in the General Fund Reserve (general contingency reserve) to just £2.5m (2021-22: £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.

(i) The other factors mentioned in the Outturn Report for the year end 31 March 2023 have been reflected in these accounts.

(j) Group Accounts – Because of the delay in completing the 2021-22 annual audits for Knowle Green Estates Ltd., following a change of external auditors, it was not possible for the Group Accounts to be finalised. Therefore, Officers made the decision to publish the draft unaudited statement of accounts without any group accounts. The decision was made because the 2022-23 audit for KGE should be completed by end of July 2023 and that each subsidiary publishes full accounts.

The 2022-23 Revenue Outturn report gave updated details on both of the Council's subsidiaries performance in 2022-23.

Once the 2022-23 audits have been completed, the Group Accounts will be finalised, and Officers will update the draft unaudited statement of accounts.

Please also note that both the Council's subsidiaries publish full financial statements.

3. The process

3.1 Once the draft unaudited statement of accounts has been published on our website, that is it as far as amendments are concerned until completion of the audit.

3.2 The minor adjustments mentioned above will be made and the external auditors notified.

3.3 All significant amendments made to the first draft of the published unaudited statement of accounts, will be notified to the Audit Committee via the audit findings report, once the external auditors have completed their work and formed their audit opinion, 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 unaudited statement of accounts, the Finance Team working closely with the Chief Finance Officer were keen to ensure that the Council comply with this and all our statutory deadlines.

5.2 This is particularly relevant given the recent CIPFA/DLUHC review.

6. Procurement

6.1 There are no procurement considerations.

7. Legal considerations

7.1 The Council must publish it 2022-23 unaudited financial statements by 31 May 2022 in accordance with statutory requirements.

8. Other considerations

8.1 Officers are working to change the format of the 2023/24 statement of Accounts to include a five-column table in the Statement of Expenditure & Funding Analysis, rather than the current three-column table, this will enable council to see the movement for the Council approved Revenue Outturn Report to the final balances in the statement of Accounts.

8.2 Officers will also work with the Financial Reporting Working Party to prepare a summary one-page report of the Statement of Accounts.

9. Equality and Diversity

9.1 None from this report

10. Sustainability/Climate Change Implications

10.1 None from this report

11. Timetable for implementation

11.1 The timeline for publishing the draft 2022-23 unaudited statement of accounts is as follows:

(a) Officers to publish the draft 2022/23 unaudited financial statements on the Council's website on 31 May 2022.

(b) Audit Committee to note the draft 2022/23 unaudited financial statements.

(c) External audit to commence at a future date to be confirmed.

(d) All material substantial adjustments to the draft unaudited statement of accounts to be notified to the Audit Committee when the External auditors present their report once the audit has been completed.

12. Contact

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

Background papers: There are none.

Appendices:
Appendix A – Draft 2022-23 unaudited financial statements (updated after 13 July)

Spelthorne Borough Council Draft Statement of Accounts 2022/23

Narrative Statement
By the Chief Finance Officer

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

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

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

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

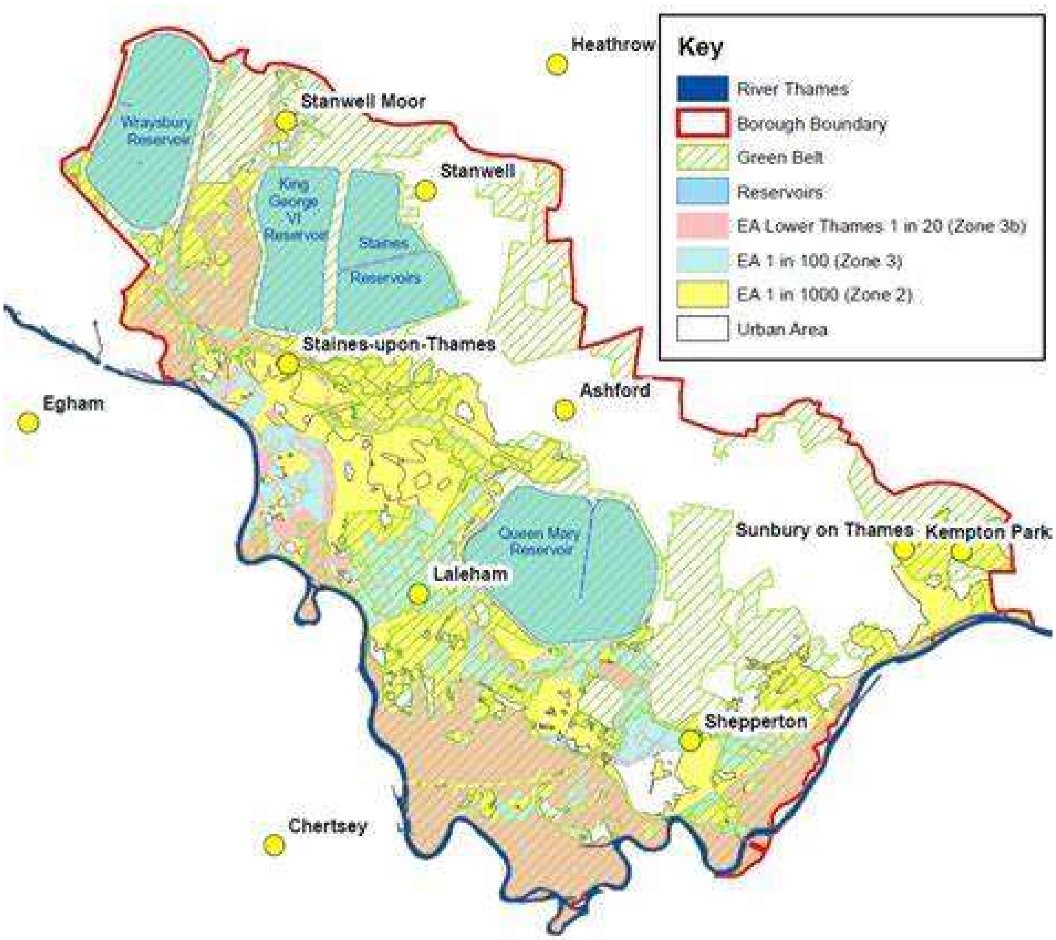
Basis of preparation
These accounts are presented on an International Financial Reporting Standards (IFRS) basis having been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

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

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

Organisational overview & external environment

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



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

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

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

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

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

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

Political Structure in the 2022/23 Municipal Year

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

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

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

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

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

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

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

Management Structure

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

The Corporate Management team consists of:
- Chief Executive
- Deputy Chief Executive / Chief Finance Officer
- Deputy Chief Executive

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

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

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

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

Cost of Living Crisis and COVID-19

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

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

Revenue Outturn for 2022/23

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

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

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

Capital Strategy and assets.

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

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

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

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

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

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

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

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

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

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

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

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

Core Statements

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

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

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

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

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

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

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

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

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

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

Capital Expenditure

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

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

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

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

2021/22 *£'000*	Total Capital Expenditure	2022/23 *£'000*
28,624	Total Capital Expenditure	20,972
	Financed by:	
(858)	Capital Receipts	(321)
0	Grants and Contributions	(1,268)
(2,857)	Revenue Resources	(1,000)
(24,909)	Borrowing	(18,383)
(28,624)	Total Capital Financing	(20,972)

Future capital expenditure and resources are as follows:

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

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

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

Pensions

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

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

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

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

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

Borrowing

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

Comparison of Revenue Budget to Revenue Outturn	Revenue Budget 2022/23 *£'000*	Revenue Outturn 2022/23 *£'000*	Variance Outturn to Budget *£'000*
Gross Expenditure	68,250	58,850	(9,400)
Gross Income	(42,264)	(40,001)	2,263
	25,986	18,849	(7,137)
Investment Property Income	(51,586)	(48,157)	3,429
Interest on balances	(1,439)	(4,008)	(2,569)
Transfers (from)/to Earmarked Reserves	1,885	5,398	3,513
Interest paid	23,858	24,229	371
Debt repayment	12,279	12,094	(185)
Set-aside	1,130	630	(500)
Capital expenditure financed from revenue	770	1,000	230
	12,883	10,035	(2,848)
Financed by:			
Non-ringfenced grants and contributions	(2,421)	(6,262)	(3,841)
Net receipts from Business Rates	(2,030)	4,181	6,211
Council Tax (Demand on Collection Fund & Surplus)	(8,432)	(8,432)	0
(Surplus)/deficit for the year	0	(478)	(478)

Financial Strategy Review

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

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

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

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

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

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

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

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

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

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

2022/23 Budget

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

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

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

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

Local Government Association (LGA) Corporate Peer Challenge

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

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

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

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

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

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

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

Public Interest Report (PIR)

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

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

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

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

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

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

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

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

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

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

Summary

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

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

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

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

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

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

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

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

Further Information

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

Statement of Responsibilities for the Statement of Accounts

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

The Council's Responsibilities

The Council is required:

- To make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Deputy Chief Executive / Chief Finance Officer.
- To manage its affairs to secure economic, efficient, and effective use of resources and safeguard its assets.
- To approve the Statement of Accounts.

The Chief Finance Officer's Responsibilities

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

In preparing this Statement of Accounts, the Chief Finance Officer has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the Code of Accounting Practice on Local Council Accounting in the United Kingdom 2019/20 as required by the Accounts and Audit Regulations 2021 with the local authority "Code"
- Kept proper accounting records which were up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certification of Section 151 Officer

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

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

Councillor Jon Button
Chair of Audit Committee Chief Finance

Annual Governance Statement 2022-2023

Introduction

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

LGA Peer Review

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Cost of Living Crisis

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

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

The Council's vision for the Borough

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

Community – supporting our communities across the Borough

Affordable housing – delivery the affordable housing the Borough's residents need

Recovery – supporting our communities and businesses recovery from the impact of COVID-19

Environment (Climate Change)– ensuring the Council contributes towards tackling climate change

Service Delivery

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

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

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

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

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

Service Delivery

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

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

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

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

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

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

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

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

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

How we run the Council

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

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

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

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

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

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

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

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

How we manage the finances

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

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

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

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

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

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

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

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

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

Communicating effectively

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

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

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

Engaging with stakeholders

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

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

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

Informing

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

Consulting

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

Involve

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

Collaborate

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

Empower and decide

We promote community empowerment and democracy. Council

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

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

How we are accountable

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

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

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

How we promote high standards in public office

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

Selflessness

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

Integrity

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

3 **Objectivity**

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

4 Accountability

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

5 Openness

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

6 Honesty

Holders of public office should be truthful.

7 Leadership

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

How we learn and improve

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

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

Internal audit

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

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

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

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

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

Annual Internal Audit Opinion 2022/23

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

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

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

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

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

Punita Talwar

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

Chartered Internal Auditor (CMIIA)

May 2023

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

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

Corporate Risk Management

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

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

External audit

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

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

Audit Committee

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

How we learn from complaints and feedback

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

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

FOI/GDPR

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

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

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

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

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

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

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

How we will deal with significant governance issues

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

Completed with periodical reporting having been undertaken. Completed –

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

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

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

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

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

Conclusion

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

....	....
Cllr Joanne Sexton	Daniel Charles Mouawad
Leader of the Council	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.

	2021/22		CI&ES			2022/23	
Expenditure	Income	Total			Expenditure	Income	Total
£'000	*£'000*	*£'000*		*Notes*	*£'000*	*£'000*	*£'000*
32,673	(26,242)	6,431	Community Wellbeing & Housing		31,839	(26,488)	5,351
7,502	(2,442)	5,060	Corporate Policy and Resources		7,546	(4,069)	3,477
534	(789)	(255)	Economic Development		576	(656)	(80)
1,868	(547)	1,321	Environment & Sustainability		2,071	(620)	1,451
11,280	(3,333)	7,947	Neighbourhood Services		10,366	(3,910)	6,456
6,119	(938)	5,181	Regulatory Administrative Comm		9,355	(1,857)	7,498
59,976	(34,291)	25,685	Cost of Services		61,753	(37,600)	24,153
26,881	(28,012)	(1,131)	Other Operating Income & Expenditure		0	(985)	(985)
51,421	(55,091)	(3,670)	Financing & Investment Income & Expenditure	9	190,863	(56,573)	134,290
26,934	(48,303)	(21,369)	Taxation & Non-specific Grant Income	10	21,991	(36,055)	(14,064)
165,212	(165,697)	(485)	(Surplus)/Deficit on the Provision of Services		274,607	(131,213)	143,394
		(4,978)	(Surplus)/Deficit on revaluation of Property, Plant & Equipment	21			(502)
		(1,705)	(Surplus)/Deficit from investments in equity instruments designated at fair value through other comprehensive income	21			2,169
		(15,671)	Remeasurement of the the defined net defined benefit liability/(asset)	21			(36,552)
		(22,352)	Other Comprehensive Income & Expenditure				(34,885)
		(22,837)	Total Comprehensive Income & Expenditure				108,509

Movement in Reserves Statement

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

Movement in Reserves Statement	General Reserves	Capital Receipts Reserves	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Reserves
2022/23	£'000	£'000	£'000	£'000	£'000	£'000
Balance brought forward 1st April	(65,376)	(467)	(1,995)	(67,838)	88,555	20,717
Movements in-year						
Total Comprehensive Income & Expenditure	143,394			143,394	(34,885)	108,509
Adjustments between accounting & funding basis under regulations (note 7)	(149,271)	(1,069)	218	(150,122)	150,122	0
(Increase)/Decrease in-year	(5,877)	(1,069)	218	(6,728)	115,237	108,509
Balance carried forward 31st March	(71,253)	(1,536)	(1,777)	(74,566)	203,792	129,226

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	(2,823)	(64,539)	108,093	43,554
Movements in-year						
Total Comprehensive Income & Expenditure	(485)			(485)	(22,352)	(22,837)
Adjustments between accounting & funding basis under regulations (note 7)	(3,174)	(468)	828	(2,814)	2,814	0
(Increase)/Decrease in-year	(3,659)	(468)	828	(3,299)	(19,538)	(22,837)
Balance carried forward 31st March	(65,375)	(468)	(1,995)	(67,838)	88,555	20,717

Balance Sheet

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

31 Mar 22	Balance Sheet		31 Mar 23
£'000		*Notes*	*£'000*
129,711	Property, Plant & Equipment	11	149,259
215	Heritage Assets	12	209
916,375	Investment Property	13	755,206
336	Intangible Assets	14	365
35,871	Long-term Investments		33,770
31,486	Long-term Receivables		31,474
1,113,994	**Long-term Assets**		**970,283**
40,477	Short-term Investments		15,291
0	Assets held for Sale		0
25	Inventories		28
21,259	Short-term Receivables	16	7,380
52,953	Cash & Cash Equivalents	17	43,890
114,714	**Current Assets**		**66,589**
(44,678)	Short-term Borrowing		(30,238)
(77,489)	Short-term Payables	19	(50,060)
(1,353)	Short-term Provisions	20	(1,364)
(123,520)	**Current Liabilities**		**(81,662)**
(1,077,472)	Long-term Borrowing		(1,068,754)
(48,433)	Other Long-term Liabilities		(15,682)
0	Long-term Grants received-in-advance - Capital		
(1,125,905)	**Long-term Liabilities**		**(1,084,436)**
(20,717)	**Net Assets/(Net Liabilities)**		**(129,226)**
(67,838)	Usable Reserves	MiRS	(74,566)
88,555	Unusable Reserves	21	203,792
20,717	**Total Reserves**		**129,226**

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

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

Cash Flow Statement

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

2021/22 £'000	Cash Flow	Notes	2022/23 £'000
(485)	Net (Surplus)/Deficit on the Provision of Services	CI&ES	143,394
(71,359)	Adjustments to net (surplus)/deficit on the Provision of Services for non-cash movements	22	(150,682)
2,884	Adjustments to net (surplus)/deficit on the Provision of Services that are Investing and Financing Activities	22	(1,996)
(68,960)	Net Cash Flow from Operating Activities		(9,284)
5,020	Investing Activities	23	(5,088)
22,571	Financing Activities	24	23,435
(41,369)	Net (increase)/decrease in Cash & Cash Equivalents		9,063
11,584	Cash & Cash Equivalents at the beginning of the reporting period		52,953
41,369			(9,063)
52,953	Cash & Cash Equivalents at the end of the reporting period	17	43,890

Accounting Policies

1.1 General Principles

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

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

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

1.2 Accruals of Income and Expenditure

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

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

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

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

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

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

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

1.3 Cash and Cash Equivalents

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

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

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

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

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

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

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

1.5 Charges to Revenue for Non-current Assets

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

1.5.1 depreciation attributable to the assets used by the relevant service

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

1.5.3 amortisation of intangible assets attributable to the service.

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

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

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

1.6 Council Tax and Non-Domestic Rates (England)

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

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

1.6.1 Accounting for Council Tax and NDR

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

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

1.7 Employee Benefits

1.7.1 Benefits Payable during Employment

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

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

1.7.2 Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

1.7.3 Post-employment Benefits

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

The Local Government Pension Scheme is accounted for as a defined benefits scheme.

The liabilities of the pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e., an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a Corporate Bond yield curve constructed using the constituents of the iBOXxx AA corporate bond index.

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

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

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

1.7.3.1 Service cost comprising:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
- net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

1.7.3.2 Re-measurements comprising:

- The return on pension plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

- Contributions paid to the Surrey Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards.

In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

The negative balance that arises on the Pensions Reserve thereby measures the impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

1.7.4 Discretionary Benefits

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

1.8 Events After the Reporting Period

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

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

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

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

1.9 Financial Instruments

1.9.1 Financial Liabilities

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

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

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid.

The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

1.9.2 Financial Assets

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

There are three main classes of financial assets measured at:

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

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

1.9.3 Financial Assets Measured at Amortised Cost

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

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

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

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

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

1.9.4 Expected Credit Loss Model

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

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

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

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

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

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

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

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

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

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

1.10 Government Grants and Contributions

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

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

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

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

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

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

1.10.1 Community Infrastructure Levy

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

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

1.11 Heritage Assets

1.11.1 Heritage Assets – General

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

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

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

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

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

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

1.12 Intangible Assets

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

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

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

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

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

1.13 Interests in Companies and Other Entities

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

1.14 Inventories and Long-term Contracts

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

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

1.15 Investment Property

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

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

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

1.16 Joint Operations

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

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

1.17 Leases

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

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

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

1.17.1 The Council as Lessee

1.17.1.1 Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise Council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

1.17.1.2 Operating Leases

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

1.18 Overheads and Support Services

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

1.19 Property, Plant and Equipment

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

1.19.1 Recognition

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

1.19.2 Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

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

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

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

1.19.3 Impairment

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

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

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

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

1.19.4 Depreciation

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

Deprecation is calculated on the following bases:

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

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

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

1.19.5 Disposals and Non-current Assets Held for Sale

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

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

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

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

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

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

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

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

1.20 Provisions, Contingent Liabilities and Contingent Assets

1.20.1 Provisions

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

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

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

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

1.20.2 Contingent Liabilities

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

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

1.20.3 Contingent Assets

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

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

1.21 Reserves

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

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

1.22 Revenue Expenditure Funded from Capital under Statute

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

1.23 VAT

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

1.24 Fair Value Measurement

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

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

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

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

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

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

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

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

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

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

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

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

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

1.26. Interests in Companies and Other Entities

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

Notes to the Core Financial Statements

Statement of Expenditure and Funding Analysis

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

2021/22				2022/23		
Net Expenditure chargeable to the General Fund	Adjustments betw een the Funding and Analysis Basis	Net Expenditure in the Compre-hensive Income and Expenditure Statement		Net Expenditure chargeable to the General Fund	Adjustments betw een the Funding and Analysis Basis	Net Expenditure in the Compre-hensive Income and Expenditure Statement
£'000	£'000	£'000		£'000	£'000	£'000
3,207	3,224	6,431	Community Wellbeing & Housing	2,613	2,738	5,351
4,988	72	5,060	Corporate Policy and Resources	2,949	528	3,477
(311)	56	(255)	Economic Development	(114)	34	(80)
1,034	287	1,321	Environment & Sustainability	1,248	203	1,451
5,845	2,102	7,947	Neighbourhood Services	5,409	1,047	6,456
4,214	967	5,181	Regulatory Administrative Comm	6,743	755	7,498
18,977	6,708	25,685	Cost of Services	18,848	5,305	24,153
(36,169)	9,999	(26,170)	Other compatible income/expenditure	(37,821)	157,062	119,241
(17,192)	16,707	(485)	Net position	(18,973)	162,367	143,394
(1,352)			Opening balance for General Fund	(2,002)		
(17,192)			Net position above	(18,973)		
12,327			Minimum Revenue Provision	12,095		
1,206			Contribution to capital spending	1,000		
3,009			Transfer to Reserves	5,398		
(2,002)			Closing balance for General Fund	(2,482)		

Adjustments between Funding and Accounting Basis 2022/23

Adjustments from General Reserves to arrive at the Comprehensive Income and Expenditure Statement amounts	2022/23 Adjustments for Capital Purposes (Note i)	Net change for Pensions Adjustments (Note ii)	Accumulated Absences (Note iii)	Total
	£'000	*£'000*	*£'000*	*£'000*
Community Wellbeing & Housing	2,200	533	6	2,739
Corporate Policy and Resources	170	353	4	527
Economic Development	8	26	0	34
Environment & Sustainability	3	198	2	203
Neighbourhood Services	213	824	10	1,047
Regulatory Administrative Comm	310	440	5	755
Cost of Services	2,904	2,374	27	5,305
Other income and expenditure	0	0	157,062	157,062
	2,904	2,374	157,089	162,367

Adjustments between Funding and Accounting Basis 2021/22

Adjustments from General Reserves to arrive at the Comprehensive Income and Expenditure Statement amounts	2021/22 Adjustments for Capital Purposes (Note i)	Net change for Pensions Adjustments (Note ii)	Accumulated Absences (Note iii)	Total
	£'000	*£'000*	*£'000*	*£'000*
Community Wellbeing & Housing	2,473	750	(1)	3,222
Corporate Policy and Resources	(431)	505	0	74
Economic Development	14	42	0	56
Environment & Sustainability	3	285	0	288
Neighbourhood Services	950	1,152	(1)	2,101
Regulatory Administrative Comm	316	650	0	966
Cost of Services	3,325	3,384	(2)	6,707
Other income and expenditure	1	0	9,999	10,000
	3,326	3,384	9,997	16,707

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

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

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

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

Expenditure and Income Analysis	2021/22 £'000	2022/23 £'000
Expenditure		
Employees benefits expenses	20,458	21,378
Premises	6,504	9,554
Transport	1,591	1,033
Supplies & Services	7,086	7,821
Support Services	(714)	(2,823)
Third Parties	2,168	3,564
Transfer Payments	38,096	35,952
Capital Charges excluding interest paid	54,962	166,526
Interest Paid	25,009	25,657
Total Expenditure	**155,160**	**268,662**
Income		
Sales	(28,327)	(1,459)
Charges use of facilities	(2,460)	(2,589)
Service Charges	1,359	212
Rents	(55,682)	(53,868)
Interest	(1,742)	(4,009)
Govn grants	(34,764)	(27,813)
Other grants,reimbure & con	(7,100)	(11,019)
Income Other Reimbursement	(105)	(300)
Council Tax & Business Rates income	(26,824)	(24,423)
Total Income	**(155,645)**	**(125,268)**
(Surplus) or Deficit on the Provision of Services	**(485)**	**143,394**

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

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

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

	to be met from Dedicated Schools Grant	Grant receivable for 2022/23.	
Holiday Pay	Projected cost of untaken leave entitlements at 31 March 2023	No charge	Accumulated Absences Adjustment Account

2. Accounting Standards issued but not yet adopted

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

The standards introduced include:

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

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

3. Critical Judgement in applying Accounting Policies

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

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

- The Council holds a significant portfolio of investment properties, as set out in Note 13, where the focus is on maintaining revenue streams, rather than short-term capital growth and although the general economic activity is fragile, the Council judges that its portfolio in the context of the implications of the pandemic on the local economy is currently robust, as reflected by achieving a 98.9% (2021/22: 99.92%) collection rate for rental invoiced in 2022/23, and healthy enough that its assets will not be materially impaired as a result of a decrease in economic activity, particularly as the Council does not have any short-term plans to sell off any properties to crystallise any capital losses, as a result of the downturn in property valuations caused by the pandemic.
- In accordance with Note 11, all investment properties are valued annually in accordance with the methodologies and bases for estimate set out in the professional standards of the Royal Institute of Chartered Surveyors. The Council also carries out a rolling programme of its operational property that ensures that all Property, Plant and Equipment required to be measured at a fair value, is revalued at least once every five years. Valuations of vehicles, plant, furniture & equipment and assets under construction are not subject to revaluation on the grounds of materiality. Historic cost is used as a proxy for current value.
- The number of operational assets in our asset portfolio under £1million in value that were not revalued at year end amounted to 31 assets with an average asset value of £100,595. Having considered these assets, the Council believes that its current valuation programme is not in need of change.
- Following the end of the COVID-19 pandemic when central government requested that the Council held back on its follow up action in respect of its outstanding debts, the Council is now beginning to recover its outstanding monies from taxpayers, the Council has been prudent when setting our rates for bad debt provisions, which are reflected in these financial statements.

4. Prior Period Adjustments

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

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

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

Item	Uncertainties	Effect if Actual Results differ from Assumptions
Pension liability	Estimation of the net liability to pay pensions depends on several complex judgements relating to the discount rate used, the rate at which salaries are	The effects on the net pensions liability of changes in individual assumptions can be measured. For example, a 1.0% decrease in the

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

	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. 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. Our operational property valuers Wilkes Head & Eves have not advised us of any material valuation uncertainties this year.	depreciation charge for buildings would increase by £195,000 for every year that useful lives had to be reduced. Of the total value of the Council's Operational Land & Buildings, £0.495m (20201/22: £14.5m) was revalued at 31 March 2023. These values are material and the sources of estimation uncertainty as they require complex valuation techniques, use of indices, comparison with values of alternative sites etc. It is reasonably possible, based on existing knowledge, that outcomes within the next financial year may be based on different assumptions to the current year and could result in material adjustment to their carrying amount.
Arrears	Estimation of the impairment losses on debtors from all debtors.	At 31 March 2023, the Council had a balance of Short-Term Receivables of £7.4m (2021/22: £22.3m) and has made a provision of £7.6m (2021/22: £5.7m) for impairment of doubtful debts. As we come out of the challenges caused by the pandemic, collection rates still remain uncertain as we head into Cost-of-Living crisis and inflationary pressures on residents.

6. Material items of income and expense

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

7. Adjustments between Accounting Basis and Funding Basis under regulations

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

General Fund Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

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

Adjustments between Accounting and Funding Basis under Regulations 2022/23	General Reserves £'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	(3,801)			(3,801)	3,801
Financial instruments				0	
Council tax	114			114	(114)
Business rates	2,388			2,388	(2,388)
Holiday pay	(29)			(29)	29
Reversal of entries included in the (Surplus)/Deficit on the Provision of Services in relation to Capital Expenditure	(162,119)			(162,119)	162,119
Revenue Expenditure funded form Capital unders Statute	(954)		0	(954)	954
Capital Grants and Contributions Unapplied credited to the Comprehensive Income and Expenditure Statement	1,049		(1,049)	0	0
Total Adjustments to Revenue Resources	(163,352)		(1,049)	(164,401)	164,401
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	986	(986)		0	0
Statutory provision for the repayment of debt	12,095			12,095	(12,095)
Capital expenditure financed from revenue balances	1,000			1,000	(1,000)
Total Adjustments between Revenue and	14,081	(986)	0	13,095	(13,095)
Adjustments to Capital Resources					
Use of the Capital Receipts Reserve to finance Capital Expenditure		320		320	(320)
Application of Capital Grants to finance Capital Expenditure			1,267	1,267	(1,267)
Cash payments in relation to Deferred Capital Receipts		(403)		(403)	403
Total Ajustments to Capital Resources	0	(83)	1,267	1,184	(1,184)
Total Adjustments	(149,271)	(1,069)	218	(150,122)	150,122

Adjustments between Accounting and Funding Basis under Regulations 2021/22	General Reserves £'000	Capital Receipts Reserves £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000
Adjustments to the Revenue Resources					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements					
Pension costs	(4,607)			(4,607)	4,607
Financial instruments				0	0
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 form Capital unders 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
Transfer of deferred sale proceeds credited as part of gain/loss on disposal to the Comprehensive Income and Expenditure Statement	27,193			27,193	(26,818)
Total Adjustments to Revenue Resources	(17,526)		(1,762)	(19,288)	19,663
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	819	(1,194)		(375)	0
Administrative costs of non-current asset disposals				0	
Payments to the government housing receipts pool				0	
Posting of HRA resources from revenue to the Major Repairs Reserve				0	
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	14,352	(1,194)	0	13,158	(13,533)
Adjustments to Capital Resources					
Use of the Capital Receipts Reserve to finance Capital Expenditure		726		726	(726)
Use of the Major Repairs Reserve to finance Capital Expenditure				0	0
Application of Capital Grants to finance Capital Expenditure			2,590	2,590	(2,590)
Cash payments in relation to Deferred Capital Receipts				0	
Total Ajustments to Capital Resources	0	726	2,590	3,316	(3,316)
Total Adjustments	**(3,174)**	**(468)**	**828**	**(2,814)**	**2,814**

8. Transfers to and from Earmarked Reserves

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

Earmarked Reserves	31 Mar 22	Transfers to Reserves	Used in revenue funding	Transfers between Reserves	31 Mar 23
	£'000	£'000	£'000	£'000	£'000
Revenue Grants unapplied	(3,688)	(1,897)	211		(5,374)
Capital Fund	(1,443)	0	0		(1,443)
Insurance Fund	(50)	0	0		(50)
Planned Spending Funds	(14,877)	(140)	106	947	(13,964)
Funds for acquired properties	(33,622)	(7,972)	3,824		(37,770)
Youth Fund	(20)	0	0		(20)
Local Environmental Assessment Fund	(163)	0	9		(154)
Contributions from Developers	(9,509)	(352)	812	(947)	(9,996)
Earmarked Reserves 31st March	(63,372)	(10,361)	4,962	0	(68,771)
General Fund Balance	(2,002)	(480)	0		(2,482)
Balance carried forward 31st March	(65,374)	(10,841)	4,962	0	(71,253)

9. Financing and Investment Income and Expenditure

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

10. Taxation and Non-Specific Grant Income

2021/22			Taxation and Non-Specific Grant Income		2022/23		
Expenditure	Income	Total			Expenditure	Income	Total
£'000	£'000	£'000		Notes	£'000	£'000	£'000
185	(8,449)	(8,264)	Council Tax Income		117	(8,663)	(8,546)
26,744	(28,421)	(1,677)	Non-domestic Rates Income and Expenditure		21,873	(20,080)	1,793
4	(9,670)	(9,666)	Non-ringfenced government grants		0	(6,262)	(6,262)
	(1,762)	(1,762)	Capital Grants and Contributions		0	(1,049)	(1,049)
26,933	(48,302)	(21,369)	Total Taxation and Non-Specific Grant Income		21,990	(36,054)	(14,064)

11. Property, Plant and Equipment

Movement on Balances in 2022/23:

Property, Plant and Equipment	Land & Buildings	Vehicles, Plant, Furniture & Equipment	Community Assets	Assets under Construction	Total Property, Plant & Equipment
	£'000	*£'000*	*£'000*	*£'000*	*£'000*
Cost or Valuation					
At 1st April 2022	90,009	4,337	202	42,219	136,767
Additions	40	845	3	18,903	19,791
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(467)	0	0	0	(467)
Revaluation increases/(decreases) recognised in the (Surplus)/Deficit on the Provision of Services	937	0	0	0	937
Other movements in cost or valuation	1,064	0	0	(64)	1,000
At 31st March 2023	91,583	5,182	205	61,058	158,028
Accumulated Depreciation and Impairment					
At 1st April 2022	(4,468)	(2,578)	(10)	0	(7,056)
Depreciation charge	(2,124)	(594)	(7)	0	(2,725)
Depreciation written out to the Revaluation Reserve	970	0	0	0	970
Depreciation written out to the (Surplus)/Deficit on the Provision of Services	42	0	0	0	42
At 31st March 2023	(5,580)	(3,172)	(17)	0	(8,769)
Net Book Value					
At 31st March 2023	86,003	2,010	188	61,058	149,259
At 31st March 2022	85,541	1,759	192	42,219	129,711

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	90,008	4,338	201	42,220	136,767
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
At 31st March 2022	(4,468)	(2,578)	(10)	0	(7,056)
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

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

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

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

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

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

The valuations have been completed in accordance with: -

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

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

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

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

12. Heritage Assets

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

2021/22 *£'000*	Heritage Assets	2022/23 *£'000*
	Balance at 1st April	
245	Balance at 1st April	245
	Accumulated Depreciation and Impairment	
(23)	Depreciation at 1st April	(30)
(7)	Depreciation	(6)
(30)	Balance at 31st March	(36)
	Net Book Value	
215	Balance at 31st March	209

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

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

13. Investment Properties

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

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

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

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

2021/22 £'000	Investment Property	2022/23 £'000
939,747	Balance at 1st April	916,375
0	Additions	0
(23,372)	Net gains/losses from fair value adjustments	(160,169)
0	Other movements	(1,000)
916,375	Balance at 31st March	755,206

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

The valuations have been completed in accordance with: -

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

2021/22 £'000	Fair value measurement	2022/23 £'000
591,216	Land	460,313
325,159	Buildings	294,893
916,375	Balance at 31st March	755,206

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

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

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

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

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

14. Intangible Assets

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

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

15. Financial Instruments

Financial Instruments – Balances
The financial liabilities disclosed in the Balance Sheet are analysed across the following categories:

Long-term 31 Mar 22 *£'000*	Short-term 31 Mar 22 *£'000*	Financial Liabilities	Long-term 31 Mar 23 *£'000*	Short-term 31 Mar 23 *£'000*
		Loans at amortised cost:		
1,063,248	55,804	Principal sum borrowed	1,069,846	25,629
	3,228	Accrued Interest		9,584
1,063,248	**59,032**	**Total borrowing ***	**1,069,846**	**35,213**
		Liabilities at amortised cost:		
	5,206	Trade Payables **		4,639
	5,206	**Total cash and cash equivalents**		**4,639**

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

*** The Short-term Payables line on Balance Sheet includes £45,421k (2021/22: £67,049k) that do not meet the definition of a financial liability as they relate to non-exchange transactions.*

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

Long-term	Short-term	Financial Assets	Long-term	Short-term
31 Mar 22	31 Mar 22		31 Mar 23	31 Mar 23
£'000	*£'000*		*£'000*	*£'000*
		At amortised cost:		
29,839	70,410	Principal	30,960	45,098
-	35	Accrued Interest	-	150
		At FVOCI:		
35,552	-	Equity instruments elected FVOCI	4,697	-
65,391	**70,445**	**Total investments ***	**35,657**	**45,248**
		At amortised cost:		
	5	Principal	-	1,127
	13,210	*At FVPL*		15,916
	13,215	**Total cash and cash equivalents**		**14,789**
		At amortised cost:		
	10,115	Trade receivables **		4,633
	-	Loans made for service purposes		-
	271	Accrued interest		336
-	**10,386**	**Included in debtors**	**-**	**4,969**

** The accrued interest in short-term investments represents accrued interest and principal repayments due within 12 months on long-term investments.*
*** The Short-term Receivables line on Balance Sheet includes £2,411k (2021/22: £9,362k) that do not meet the definition of 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.

31 Mar 22 Fair value	31 Mar 22 Dividends	Pooled Investment Fund	31 Mar 23 Fair value	31 Mar 23 Dividends
£'000	*£'000*		*£'000*	*£'000*
790	22	Charteris Elite Premium Income Fund	716	28
0	0	Schroders Income Maximiser Fund Class L	5,189	322
1,936	55	Schroders Income Maximiser Fund	0	0
4,941	585	Schroders Income Maximiser Fund	0	0
0	0	Schroders UK Corporate Bond Fund	1,501	106
1,934	37	M&G Extra Income Fund Sterling	0	0
0	0	M&G Optimal Income Fund - PP - Inc	1,578	71
3,428	66	M&G Optimal Income Sterling	0	0
0	0	M&G Global Dividend Fund - PP - Inc	6,133	197
1,769	23	M&G Global Dividend Fund	0	0
1,859	69	M&G Global Dividend Fund	0	0
0	0	M&G UK Income Distribution	1,820	76
0	0	Ninety One Diversified Income Fund - J - Inc	3,951	191
2,863	82	Ninety One Diversified Income Fund	0	0
1,490	43	Ninety One Diversified Income Fund	0	0
0	0	CT UK Equity Fund - L - Inc	3,845	136
2,047	41	Threadneedle Investment Services	0	0
1,515	30	Threadneedle Investment Services	0	0
1,683	36	CT Global Equity Fund - L - Inc (FKA Threadneedle	1,816	40
1,940	70	CCLA LAMIT Property Fund - Inc	1,926	83
1,108	32	CCLA LAMIT Property Fund - Inc	1,099	47
1,445	58	UBS Multi-Asset Income Fund - L - Inc	1,159	77
3,012	118	Aegon Diversified Monthly Income Fund - B - Inc	2,650	154
33,760	1,367		33,383	1,528

Financial Instruments - Gains and Losses

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

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

Financial Instruments - Fair Values

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

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

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

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

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

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

** The fair value of 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.

Balance Sheet 31/03/22 £'000	Fair Value 31/03/22 £'000	FV - Financial Assets	Fair value level	Balance Sheet 31/03/23 £'000	Fair Value 31/03/23 £'000
		Financial assets held at fair value:			
9,850		Money market funds	1	12,783	
33,760		Strategic pooled funds	1	38,790	
		Financial assets held at amortised cost:			
4,668	5,072	Long-term loans to companies	2	34,501	29,885
48,278	**48,682**	**TOTAL**		**86,074**	**81,458**
69,815		Assets for which fair value is not disclosed*		16,999	
118,093		**TOTAL FINANCIAL ASSETS**		**103,073**	
		Recorded on balance sheet as:			
54,451		Short-term investments		45,248	
34,191		Long-term investments		35,657	
11,584		Cash and cash equivalents		14,789	
17,867		Short-term receivables		7,379	
118,093				**103,073**	

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

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

Financial Instruments – Risks

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

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

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

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

The main risks covered are:

- *Credit Risk:* The possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the Council.
- *Liquidity Risk:* The possibility that the Council might not have the cash available to make contracted payments on time.
- *Market Risk:* The possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates or equity prices.

Credit Risk: Treasury Investments

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

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

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

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

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

Credit Risk: Trade Receivables

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

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

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

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

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

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

Credit Risk: Investment properties

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

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

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

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

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

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

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

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

**No impact on Comprehensive Income and Expenditure*

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

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

16. Receivables

2021/22 *£'000*	Short term receivables	2022/23 *£'000*
23,960	General receivables	12,760
1,027	Payments in advance	1,648
(3,728)	Provisions for impairment	(7,029)
21,259	Balance at 31st March	7,379

17. Cash and Cash Equivalents

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

2021/22 £'000	Cash & cash equivalents	2022/23 £'000
5	Cash held	5
(262)	Bank accounts	(1,132)
53,210	Cash Equivalents	45,017
52,953	Balance at 31st March	43,890

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

18. Assets Held for Sale

There are currently no properties classified as held for sale.

19. Payables

2021/22 £'000	Short term payables	2022/23 £'000
(51,164)	General payables	(32,316)
(23,689)	Receipts in advance	(15,381)
(2,635)	Deposits	(2,363)
(77,489)	Balance at 31st March	(50,060)

20. Provisions

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

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

21. Unusable Reserves

2021/22 £'000	Unusable Reserves	2022/23 £'000
(27,851)	Revaluation Reserve	(27,754)
(3,252)	Financial Instruments Revaluation Reserve	(1,083)
101,825	Capital Adjustment Account	249,616
(30,543)	Deferred Capital Receipts Reserve	(30,140)
48,433	Pension Reserve	15,682
(359)	Collection Fund Adjustment Account	(2,861)
302	Accummulated Absences Account	332
88,555	Balance at 31st March	203,792

Revaluation Reserve

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

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

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

2021/22 £'000	Revaluation Reserve	2022/23 £'000
(24,006)	Balance at 1st April	(27,851)
(4,698)	Changes in valuations	468
(280)	Depreciation written down on revaluation	(970)
1,133	Difference between fair value and historic cost depreciation	599
(27,851)	Balance at 31st March	(27,754)

Financial Instruments Revaluation Reserve

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

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

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

Capital Adjustment Account

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

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

2021/22 *£'000*	Capital Adjustment Account	2022/23 *£'000*
66,226	Balance at 1st April	101,825
	Reversal of items relating to capital debited or credited to the Comprenhensive Income and Expenditure Statement	
3,599	Charges for depreciation and amortisation of non-current assets	2,930
390	Changes in the valuation of Property, Plant and Equipment	(937)
23,372	Changes in the valuation of Investment Property	160,169
25,234	Amounts of non-current assets written off on disposal, derecognition or sale as part of the Gain or Loss on disposal	(43)
52,595	*Total of amount of items reversed*	162,119
(1,133)	Adjusting amounts written off of the Revaluation Reserve	(598)
983	Revenue Expenditure funded from Capital under Statute	954
	Capital financing applied in the year	
(727)	Use of Capital Receipts Reseve to finance new capital expenditure	(321)
(2,586)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(1,268)
(1,206)	Capital Expenditure charged againt the General Fund Balance	(1,000)
(12,327)	Minimum revenue provision	(12,095)
(16,846)	*Total of amount of capital financing*	(14,684)
101,825	Balance at 31st March	249,616

Deferred Capital Receipts Reserve

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

2021/22 £'000	Deferred Capital Receipts Reserve	2022/23 £'000
(3,725)	Balance at 1st April	(30,543)
(26,818)	Proceeds from sales	403
(30,543)	Balance at 31st March	(30,140)

Pensions Reserve

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

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

Collection Fund Adjustment Account

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

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

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

Accumulated Absences Account

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

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

22. Statement of Cash Flows – Operating Activities

The cash flows for operating activities include the following items:

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

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

2021/22 £'000	Operating Activities - non-cash movements	2022/23 £'000
(52,595)	Items relating to capital	(162,119)
(18,764)	Other non-cash items charged to the net (Surplus)/Deficit on the Provision of Services	11,437
(71,359)	Cash & Cash Equivalents at the end of the reporting period	(150,682)

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

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

23. Statement of Cash Flows – Investing Activities

2021/22 £'000	Investing Activities	2022/23 £'000
5,020	Purchase of property, plant and equipment, investment property and intangible assets	20,018
356,121	Purchase of short-term and long-term investments	606,649
(354,379)	Proceeds from short-term and long-term investments	(631,754)
(1,742)	Other receipts from investing activities	0
5,020		(5,087)

24. Statement of Cash Flows – Financing Activities

2021/22 £'000	Financing Activities	2022/23 £'000
(102,836)	Cash receipts of short- and long-term borrowing	(32,500)
26,818	Other receipts from financing activities	(12)
98,589	Repayments of short- and long-term borrowing	55,947
22,571		23,435

25. Members Allowances

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

26. Senior Officers' Remuneration

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

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

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

2021/22	Remuneration banding		2022/23
no	£	£	*no*
1	80,000	84,999	3
2	75,000	79,999	1
1	70,000	74,999	3
4	65,000	69,999	2
5	60,000	64,999	4
4	55,000	59,999	6
11	50,000	54,999	15
28			34

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

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

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

27. External Audit Costs

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

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

28. Grant Income

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

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

29. Related Parties

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

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

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

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

Applied Resilience

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

Knowle Green Estates Ltd

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

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

Spelthorne Direct Services Ltd

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

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

30. Capital Expenditure and Financing

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

2021/22 *£'000*	Capital Expenditure and Financing	2022/23 *£'000*
1,116,100	Opening Capital Financing Requirement	1,128,532
	Capital Investment	0
27,693	Property, Plant and Equipment	19,791
74	Intangible Assets	227
857	Revenue Expenditure funded from Capital under Statute	954
	Loans to Knowle Green Estates Limited	
28,624	*Total Capital Investment*	20,972
	Sources of Finance	
(429)	Capital Receipts	(321)
(1,003)	Capital Grants and Contributions	(1,268)
(2,857)	Revenue Contributions	(1,000)
(11,903)	Repayment of Debt	(12,095)
(16,192)	*Total Sources of Finance*	(14,684)
1,128,532	Closing Capital Financing Requirement	1,134,820

31. Leases

Council as Lessee

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

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

Council as Lessor

Operating Leases

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

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

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

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

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

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

32. Impairment Losses

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

33. Defined Benefit Pension Schemes

Participation in Pension Schemes

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

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

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

Transactions Relating to Post-employment Benefits

2021/22	IAS19 CI&ES & MiRS	2022/23
£'000		*£'000*
	Comprehensive Income & Expenditure Statement	
	Cost of Services:	
6,909	Current service cost	5,743
	Financing & Investment Income & Expenditure:	
1,222	Net interest expense	1,428
8,131	Total post-employment benefits charged to the (Surplus)/Deficit on the provision of services	7,171
	Other Comprehensive Income & Expenditure	
(4,533)	Return of plan assets	4,125
(8,641)	Acturial gains & losses arising on changes in assumptions	(51,671)
(1,675)	Changes in demographic assumptions	(980)
2,507	Other remeasurement of defined liability	8,645
(4,211)	*Total post-employment benefits charged to CI&ES*	(32,710)
	Movement in Reserves Statement	
(8,131)	Reversal of new charges made to the (Surplus)/Deficit on the Provision of Services for post-employment benfits in accordance with the code	(7,171)
	Actual amount charged against the General Fund Balance for pensions in-year	
3,524	Employer's contribution to the scheme	3,370

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

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

31 Mar 22	Net liability	31 Mar 23
£'000		*£'000*
102,072	Fair value of plan assets	100,389
(153,834)	Present value of the defined benefit obligation	(116,071)
(51,762)	Net liability arising from defined benefit obligation	(15,682)

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

2021/22	Scheme assets	2022/23
£'000		*£'000*
96,310	*Opening fair value of scheme assets*	102,072
1,925	Interest income	2,750
	Remeasurement gain/loss:	
4,533	Return on plan assets, excluding the amount included in net interest expense	(4,125)
3,334	Contribution from employer	3,174
920	Contribution from employees into the scheme	851
(673)	Other experience	
(4,277)	Benefits paid	(4,333)
102,072	*Closing fair value of scheme assets*	100,389

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

2021/22	Scheme liabilities	2022/23
£'000		*£'000*
(155,807)	*Opening value of scheme liabilities*	(153,834)
(6,909)	Current service cost	(5,743)
0	Past Service cost	0
(3,147)	Interest cost	(4,178)
4,277	Benefits paid	4,333
(920)	Contributions from scheme participants	(851)
	Acturial gains & losses arising on changes in assumptions	
190	Liabilities assumed on entity combinations	196
10,316	Changes in demographic/financial assumptions	52,651
(1,834)	Other changes in liablities	(8,645)
(153,834)	*Closing value of scheme liabilities*	(116,071)

Local Government Pension Scheme assets comprised:

31 Mar 22	Asset category	31 Mar 23
£'000		*£'000*
	Equity securities	
1,785.7	Consumer	1,576.4
1,423.8	Manufacturing	1,316.1
316.5	Energy and utlilities	504.8
1,184.5	Financial institutions	1,785.1
1,219.4	Health and care	1,561.3
3,194.0	Information technology	2,211.3
0.0	Other	0.0
	Debt securities	
	Corporate bonds (investment grade)	
	Corporate bonds (non-investment grade)	
3,397.4	Government	0.0
	Other	
	Private equity	
10,031.1	All	14,216.6
	Real estate	
4,072.6	UK property	3,692.1
2,175.6	Overseas property	2,357.3
	Investment Funds and Unit Trusts	
59,936.7	Equities	58,464.4
11,179.5	Bonds	10,869.4
	Other	
	Derivatives	
	Interest rate	
(413.3)	Foreign exchange	(267.6)
	Cash & cash equivakents	
2,568.7	All	2,101.8
102,072	*Total assets*	100,389

Basis for Estimating Assets and Liabilities

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

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

The principal assumptions used by the actuary have been:

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

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

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

Impact on the Council’s Cash Flows

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

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

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

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

4. Contingent Liabilities

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

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

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

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

35. Contingent Assets

There are no contingent assets.

36. Subsidiary Companies

Knowle Green Estates Limited

FINANCIAL PERFORMANCE

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

Spelthorne Direct Service Limited

FINANCIAL PERFORMANCE

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

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

37. Post Balance Sheet Events

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

38. Collection Fund

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

Total	Collection Fund	Business rates	Council tax	Total
2021/22		2022/23	2022/23	2022/23
£'000		*£'000*	*£'000*	*£'000*
	Income			
(82,627)	Council tax receivable		(82,668)	(82,668)
(40,277)	Business rates receivable	(44,856)		(44,856)
12	Transitional protection	(126)		(126)
	Government grant		(3)	(3)
	Contribution received based on Deficit			
(9,619)	Spelthorne Borough Council	(4,063)	(117)	(4,180)
(3,722)	Surrey County Council	(1,016)	(1,006)	(2,022)
(244)	Surrey Police & Crime Commisioner		(177)	(177)
(11,793)	Central Government	(5,079)		(5,079)
	Demand, precepts and shares			
25,169	Spelthorne Borough Council	17,692	8,550	26,241
64,731	Surrey County Council	4,423	63,792	68,214
11,141	Surrey Police & Crime Commisioner		11,593	11,593
21,461	Central Government	22,115		22,115
	Charges to the Collection Fund			
4	Write-offs	31	0	31
(1,344)	Increase/(decrease) in Bad Debt Provision	3,145	(1,126)	2,019
(4,426)	Increase/(decrease) in Provision for Appeals	1,642		1,641
122	Cost of Collection	120		120
(31,412)	(Surplus)/Deficit arising during the year	(5,970)	(1,161)	(7,137)
	Movement on the Collection Fund			
29,617	(Surplus)/Deficit brought forward	(585)	(1,203)	(1,788)
(31,405)	(Surplus)/Deficit arising during the year	(5,970)	(1,161)	(7,132)
(1,788)	(Surplus)/Deficit carried forward	(6,555)	(2,364)	(8,920)

39. Council Tax

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

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

40. Non-Domestic Rates

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

Glossary of terms

AAA RATING

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

AA RATING

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

A RATING

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

ACCOUNTING PERIOD

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

ACCOUNTING POLICIES

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

- recognising,
- selecting measurement bases for, and

- presenting assets, liabilities, gains, losses and changes to reserves.

Accounting policies do not include estimation techniques.

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

ACCRUALS

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

ACTUARIAL GAINS AND LOSSES

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

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

· The actuarial assumptions have changed

ASSET

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

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

AUDIT OF ACCOUNTS

An independent examination of the Authority's financial affairs.

BALANCE SHEET

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

BORROWING

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

BUDGET

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

CAPITAL EXPENDITURE

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

CAPITAL FINANCING

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

CAPITAL PROGRAMME

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

CAPITAL RECEIPT

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

CIPFA

The Chartered Institute of Public Finance and Accountancy

CODE

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

COLLECTION FUND

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

COMMUNITY ASSETS

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

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

CONSISTENCY

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

CONTINGENT ASSET

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

CONTINGENT LIABILITY

A contingent liability is either:

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

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

CORPORATE AND DEMOCRATIC CORE

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

COUNCIL TAX

A local tax levied by local Councils on its residents.

CREDITOR

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

CURRENT SERVICE COST (PENSIONS)

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

DEBTOR

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

DEFINED BENEFIT PENSION SCHEME

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

DEPRECIATION

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

DLUHC

Acronym for the Department of Levelling Up, Communities and Housing

DISCRETIONARY BENEFITS (PENSIONS)

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

EQUITY

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

EVENTS AFTER THE BALANCE SHEET DATE

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

EXPECTED CREDIT LOSS PROVISION

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

EXPECTED RETURN ON PENSION ASSETS

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

FAIR VALUE

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

FINANCE LEASE

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

FINANCIAL REPORTING STANDARD (FRS)

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

GENERAL FUND

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

GOING CONCERN

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

GOVERNMENT GRANTS

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

HERITAGE ASSETS

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

HOUSING BENEFITS

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

HOUSING REVENUE ACCOUNT (HRA)

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

IMPAIRMENT

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

INFRASTRUCTURE ASSETS

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

INTANGIBLE ASSETS

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

INTEREST COST (PENSIONS)

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

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

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

INVENTORY

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

INVESTMENTS (PENSION FUND)

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

LASAAC

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

LIABILITY

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

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

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

LIQUID RESOURCES

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

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

· Traded in an active market.

LONG-TERM CONTRACT

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

MATERIALITY

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

MINIMUM REVENUE PROVISION (MRP)

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

NET BOOK VALUE

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

NET DEBT

The Authority's borrowings less cash and liquid resources.

NON-DISTRIBUTED COSTS

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

NON-DOMESTIC RATES (NDR)

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

NON-OPERATIONAL ASSETS

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

OPERATING LEASE

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

OPERATIONAL ASSETS

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

PAST SERVICE COST (PENSIONS)

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

PENSION SCHEME LIABILITIES

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

PRECEPT

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

PRIOR YEAR ADJUSTMENT

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

PROVISION

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

PUBLIC WORKS LOAN BOARD (PWLB)

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

RATEABLE VALUE

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

REDUCING BALANCE DEPRECIATION

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

RELATED PARTIES

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

RELATED PARTY TRANSACTIONS

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

REMUNERATION

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

RESERVES

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

RESIDUAL VALUE

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

RETIREMENT BENEFITS

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

REVENUE EXPENDITURE

The day-to-day expenses of providing services.

REVENUE EXPENDITURE CAPITALISED UNDER STATUTE (REFCUS)

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

REVENUE SUPPORT GRANT

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

STRAIGHT-LINE BASIS

Dividing a sum equally between several years.

TEMPORARY BORROWING

Money borrowed for a period of less than one year.

TRUST FUNDS

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

USEFUL ECONOMIC LIFE (UEL)

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

Spelthorne Borough Council
Services Committees Forward Plan and Key Decisions

This Forward Plan sets out the decisions which the Service Committees expect to take over the forthcoming months, and identifies those which are **Key Decisions**.

A **Key Decision** is a decision to be taken by the Service Committee, which is either likely to result in significant expenditure or savings or to have significant effects on those living or working in an area comprising two or more wards in the Borough.

Please direct any enquiries about this Plan to CommitteeServices@spelthorne.gov.uk.

Spelthorne Borough Council

Service Committees Forward Plan and Key Decisions for 27 July 2023 to 30 September 2023

Anticipated earliest (or next) date of decision and decision maker	Matter for consideration	Key or non-Key Decision	Decision to be taken in Public or Private	Lead Officer
Audit Committee 27 07 2023	Introduction of New Audit Assurance Opinions	Non-Key Decision	Public	Punita Talwar, Internal Audit Manager
Audit Committee 27 07 2023	Corporate Risk Management	Key Decision It is significant in terms of its effect on communities living or working in an area comprising two or more wards	Public	Punita Talwar, Internal Audit Manager
Audit Committee 27 07 2023	Internal Audit Annual Report 2022/23	Key Decision It is significant in terms of its effect on communities living or working in an area comprising two or more wards	Public	Punita Talwar, Internal Audit Manager
Audit Committee 27 07 2023	PIR Action Plan	Key Decision It is significant in terms of its effect on communities living or working in an area comprising two or more wards	Public	Terry Collier, Deputy Chief Executive
Audit Committee 27 07 2023	DLUHC Review	Key Decision It is significant in terms of its effect on communities living or working in an area comprising two or more wards	Public	Terry Collier, Deputy Chief Executive
Audit Committee 27 07 2023	External Audit Update	Non-Key Decision	Public	Terry Collier, Deputy Chief Executive

Date of decision and decision maker	Matter for consideration	Key or non-Key Decision	Decision to be taken in Public or Private	Lead Officer
Audit Committee 27 07 2023	Annual Governance Statement	Key Decision It is significant in terms of its effect on communities living or working in an area comprising two or more wards	Public	Farida Hussain, Group Head- Corporate Governance
Audit Committee 27 07 2023	KGE Accounts Year End 31 March 2022	Non-Key Decision	Public	Paul Taylor, Chief Accountant
Audit Committee 27 07 2023	SDS Accounts Year End 31 March 2023	Non-Key Decision	Public	Paul Taylor, Chief Accountant
Audit Committee 27 07 2023	SBC Accounts Year End 31 March 2023	Key Decision It is significant in terms of its effect on communities living or working in an area comprising two or more wards	Public	Paul Taylor, Chief Accountant
Audit Committee 30 11 2023	Annual Review of Confidential Reporting Code	Key Decision It is significant in terms of its effect on communities living or working in an area comprising two or more wards	Public	Farida Hussain, Group Head- Corporate Governance
Audit Committee 30 11 2023	Annual Review of Internal Audit Effectiveness	Key Decision It is significant in terms of its effect on communities living or working in an area comprising two or more wards	Public	Punita Talwar, Internal Audit Manager

Date of decision and decision maker	Matter for consideration	Key or non-Key Decision	Decision to be taken in Public or Private	Lead Officer
Audit Committee 30 11 2023	Corporate Risk Management	Key Decision It is significant in terms of its effect on communities living or working in an area comprising two or more wards	Public	Punita Talwar, Internal Audit Manager
Audit Committee 30 11 2023	Internal Audit Interim Report	Key Decision It is significant in terms of its effect on communities living or working in an area comprising two or more wards	Public	Punita Talwar, Internal Audit Manager
Audit Committee 28 03 2024	Accounting Policies	Non-Key Decision	Public	Paul Taylor, Chief Accountant
Audit Committee 28 03 2024	Annual Audit Letter	Non-Key Decision	Public	Paul Taylor, Chief Accountant
Audit Committee 28 03 2024	Corporate Risk Management	Key Decision It is significant in terms of its effect on communities living or working in an area comprising two or more wards	Public	Punita Talwar, Internal Audit Manager
Audit Committee 28 03 2024	Counter-Fraud, Bribery and Corruption Strategy	Key Decision It is significant in terms of its effect on communities living or working in an area comprising two or more wards	Public	Punita Talwar, Internal Audit Manager

Date of decision and decision maker	Matter for consideration	Key or non-Key Decision	Decision to be taken in Public or Private	Lead Officer
Audit Committee 28 03 2024	Internal Audit Annual Plan 2024/25	Key Decision It is significant in terms of its effect on communities living or working in an area comprising two or more wards	Public	Punita Talwar, Internal Audit Manager

This page is intentionally left blank