

Spelthorne Borough Council Draft Statement of Accounts 2023-24



Contents

Narrative Statement	4
Statement of Responsibilities for the Statement of Accounts.....	20
Annual Governance Statement 2023-2024	21
Comprehensive Income and Expenditure Statement Income and Expenditure Statement ...	40
Movement in Reserves Statement	41
Balance Sheet.....	42
Cash Flow Statement.....	43
Accounting Policies.....	44
Notes to the Core Financial Statements.....	60
Statement of Expenditure and Funding Analysis.....	60
2. Accounting Standards issued but not yet adopted.....	65
3. Critical Judgement in applying Accounting Policies.....	65
4. Prior Period Adjustments.....	66
5. Assumptions made about the future and other major sources of estimation uncertainty...	66
6. Material items of income and expense	68
7. Adjustments between Accounting Basis and Funding Basis under regulations	68
8. Transfers to and from Earmarked Reserves.....	71
9. Financing and Investment Income and Expenditure	72
10. Taxation and Non-Specific Grant Income.....	72
11. Property, Plant and Equipment.....	73
12. Heritage Assets.....	75
13. Investment Properties	76
14. Intangible Assets.....	78
15. Financial Instruments	78
16. Receivables	85
17. Cash and Cash Equivalents	85
18. Assets Held for Sale.....	85
19. Payables	86
20. Provisions	86
21. Unusable Reserves.....	86
22. Statement of Cash Flows – Operating Activities.....	90
23. Statement of Cash Flows – Investing Activities	90
24. Statement of Cash Flows – Financing Activities	91
25. Members Allowances	91
26. Senior Officers' Remuneration	91
27. External Audit Costs.....	92
28. Grant Income	92
29. Related Parties	92

30. Capital Expenditure and Financing.....	94
31. Leases	94
32. Impairment Losses.....	95
33. Defined Benefit Pension Schemes	95
34. Contingent Liabilities	100
35. Contingent Assets.....	100
36. Subsidiary Companies	100
37. Post Balance Sheet Events.....	100
38. Collection Fund.....	101
39. Council Tax.....	101
40. Non-Domestic Rates.....	102
41. Group Accounts	102
Glossary of terms.....	106

Narrative Statement

By the Chief Finance Officer

Introduction

Welcome to Spelthorne Borough Council's statement of accounts for 2023-24. 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 prescribed format below.

The Narrative Statement presents an overview of the Council's accounts for the fiscal year ended 31 March 2024 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," and associated housing 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 2023-24 has been dealing with the impacts of the Cost-of-Living Crisis and increasingly the deepening housing crisis. The Council continued 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, Household Support Fund grant and providing support to refugees from Ukraine and Afghanistan. During summer 2023, the Council needed to respond when the Bridging hotel for Aghan families, in the Borough, was closed by the Home Office and we needed to source temporary accommodation units for these families. One successful initiative the Council has engaged with during the year has been using the Government's capital grant funding from the Local Authority Housing Fund to acquire dwellings both to provide initial settlement accommodation for Afghan and Ukrainian families and temporary accommodation to meet general housing needs by obtaining both longer term and temporary accommodation.

Retail, Hospitality and Leisure companies in the Borough benefitted from a 75% discount on their business rates, whilst Small Business received a 100% discount where their business has a rateable value below £12,000.

As we progress through 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. The significant increases in inflation over the last 12 months have 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 and energy on the Revenue Budget and on the Capital Programme with construction costs and whilst the reduction in inflation will improve things going forward, it will still take some time to show these reductions in the budgets.. In October 2023, because of these inflationary increases and the higher cost of borrowing, the Council agree to suspend its housing delivery programme, moving away from seeking to develop and fund schemes itself, and explore other alternatives to deliver the much-needed accommodation, for the residents of the borough.

The reductions in the energy fuel costs which came into effect from 1 April 2024, are welcome and are reflected in the 2024-25 budget.

Basis of preparation

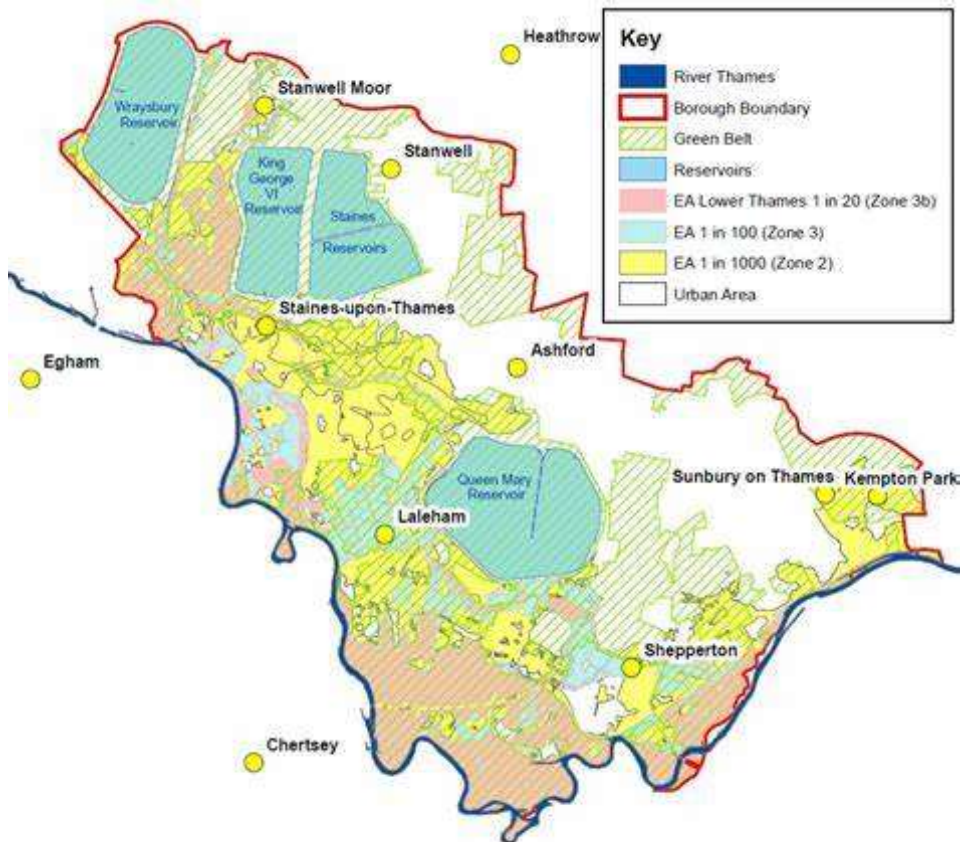
These accounts are presented on an International Financial Reporting Standards (IFRS) basis having been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023-24.

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.

The latest figures available show that there are 8,580 self-employed trades and professionals many of these provide services to residents and businesses in Spelthorne and that the local economy comprises over 7,140 businesses including large employers like BP, Samsung, Wood Group Kenny and Shepperton Studios, During the year the construction of the £500m million extension Shepperton Studios was completed which has resulted in Shepperton becoming the world's second largest film studio. 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 Domesday 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 2023-24 Municipal Year

Spelthorne has 13 wards represented by 39 Councillors. The Council held 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 14
Liberal Democrat Party 10
Labour Party 7
Independent Spelthorne Group 6
Greens 2

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

On 25 May 2023 Cllr Joanne 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 2024 the Council employed 410.86 FTE equivalent staff (2022-23: 388.43 FTE).

Cost-of-Living Crisis

The financial year 2023-24 has been a demanding one for both the Council and its residents as the impact of the Cost-of-Living Crisis continued. The rise in interest rates feeding through to higher mortgage rates has been one factor as to why the Council has since a significant increase in the number of households approaching the Council seeking homelessness support. In turn this has increased the need to source temporary accommodation which has been in part addressed through acquisition of properties part funded from Local Authority Housing Fund (LAHF) capital grant.

In the context of these issues the Council achieved better than anticipated local tax collection rates, achieving 97.5% (2022-23: 97.6%) for Council Tax and 99.07% (2022-23: 97.15%) for Business Rates. These outturn rates were better than we anticipated during the year and reflect a good performance by the Council's Customer Services team.

The Cost-of-Living crisis is impacting hard on the Council's net expenditure budget, as the Council anticipate additional demand for homeless support, as mortgage interest rates rises and residents, come out of low interest fixed mortgages to renegotiate new mortgages at higher interest rates, which are putting a squeeze on family finances.

Revenue Outturn for 2023-24

Please note that due to the current committee meeting timetable, Council has yet to approve the 2023-24 Revenue Outturn figures and the statement of accounts are subject to any amendments recommended by the Corporate Policy and Resources Committee at their meeting on 3 June 2024.

The Council achieved a significant underspend of (£10.604m) on its revenue budget which enabled the level of the General Fund Reserve at the end of 2023/24 to increase by one million pounds to £3.083m. This is 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 now 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 a very good collection rate collecting for 2023-24 of 99.09%% to date, (2022-23: 98.918%) of the rents on commercial properties invoiced in the year. The Council periodically employs external experts to review the performance of its investment asset performance and JLL reported to the February 2024 Development Sub-Committee. Whilst the JLL report highlighted challenges and risks ahead, it also highlighted that the portfolio is well managed and well positioned to benefit from future upturn in the market. Analysis indicates that the sinking fund balances as at 31 March 2024 of £35m. (2022-23: £37.7m) are more than sufficient to insulate the Council's Revenue Budget and Council Taxpayers from any significant dips in rental income. This reduction in the sinking fund reserves' balance is acknowledged but it was anticipated as there was some churn in tenants during 2023-24 and a need to apply some of the sinking funds for the purposes they were set aside for. However, during the year the Council made good progress in filling voids including at Hammersmith Grove 12, and Elmbrook House. With regard to Elmbrook House, Sunbury we are expect in early 2024-25 to return to it being 100% let.

Capital Strategy and assets.

In February 2024, the Council approved its updated Capital Strategy <https://www.spelthorne.gov.uk/capitalstrategy>. The Strategy outlines the Council's housing delivery and regeneration joint venture and place shaping programme I for the Borough.

In the Summer of 2023, Councillors and Officers participated in a review undertaken by Chartered Institute of Public Finance and Accountancy (CIPFA) on behalf of the Department of Levelling Up, Housing & Communities (DLUHC).

A joint response from all the Council's Group Leaders and senior officers was sent to the Minister, with some robust pushback on the observations.

On 8th May 2024, the Department for Levelling Up, Housing and Communities announced that it was commissioning a Best Value Inspection of Spelthorne in the context of its high outstanding borrowing of more than £1 billion. The Council will positively engage with the Inspection process. It is expected that the Best Value Inspection team will report to the Secretary of State at approximately the end of August 2024.

On 19 October 2023 the Council decided to suspend the Council's direct delivery of housing projects, in light of the rapid inflation increases in both building materials and labour, together with a substantial increase in the Public Works Loan board (PWLb) 50-year fixed term interest rates.

As the demand for more affordable housing is still extremely high, the Council continues to prioritise addressing housing need with one of the Corporate priorities in the Council's Corporate Plan for 2024-28 being "Addressing Housing Need", the Council will be looking to establish joint venture partnerships with reputable third parties to deliver the much needed housing stock for the residents of the Borough. A programme for delivery of this strategy is being developed in collaboration with councillors.

The Council's Capital Programme and Capital Strategy now reflects the substantial reduction in the Council's capital projects. The Capital Strategy sets out how the Council manages risk.

Following the Council's decision to suspend the direct delivery of affordable housing units, this has had a financial impact on Knowle Green Estates (LTD) (KGE) the Council's wholly owned subsidiary that manages a portfolio of largely affordable rental housing units on its behalf, and over the next six months the Directors will be working with Council to a number of options to ensure that company remains financially viable, and are taking proposals to Council in summer 2024. Despite cost-of-living pressures KGE has done very well in sustaining its tenants with a rent arrears figure at yearend of only 2.17% which to date has improved to 0.5%, due to timing differences from Universal Credit and Housing Benefit payments for some tenants.

The Council as at the 31 March 2024 had an investment asset portfolio valued at £602.330m (2022-23: £755.2m) and receives a commercial rental income stream as set out in the table below. In the context of the economic impact of the Cost-of-Living Crisis it was not surprising that the property valuations dropped 20.07% (2022-23: 17.5%), however, the Council is looking to retain the assets on a long-term basis. In comparison the benchmarked movement in valuations for the sector was 18.7%. As at the end of 2023-24, the overall occupancy rate for the Council's commercial assets was 89.37% (2022-23: 87.3%) by floor area.

The table demonstrates that after debt financing and setting aside prudent provisions for future refurbishment of the assets, the net commercial return of approximately £5.9m (2022-23 - £9.9m), (please note that this excludes regeneration properties, which when included take the net commercial return back to just over £7.2m (2022-23: £11.0m) 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 Property forecast for the year ended 31st March 2024			
Investment Property forecast	forecast 2023/24 £'000	actual 2023/24 £'000	forecast 2024/25 £'000
Rental income from properties	(45,393)	(41,583)	(43,465)
Other Income	0	(4,936)	(75)
Net Operating costs	9,736	8,695	4,812
Lease Incentives	1,477	(425)	1,072
Minimum revenue provision (MRP)	11,300	11,300	11,586
Interest on borrowing	22,535	22,536	22,340
Sinking fund contributions	987	7,749	795
Sinking fund usage	(9,893)	(9,893)	(2,500)
Set aside	630	630	650
	<u>(8,641)</u>	<u>(5,927)</u>	<u>(4,985)</u>

Forecast for other income in 2024/25 relates to car parking licence, there are no planned leased surrenders, neither is there any filming rights income anticipated in the year.

Officers had planned to carry out a review of the sinking fund during the summer of 2023-24 however, due to the CIPFA inspection and Budget process this has been delayed a year.

The Council's diversified treasury management portfolio continued to produce good returns. Pooled funds (backed by equities, assets, or corporate bonds) valued at £33.8m (2022-23: £33.4m) yielded an average return of 4.1% (2022-23: 4.51%).

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 2023-24 shown on the movement in year on Total Comprehensive Income and Expenditure of £143.999m (2022-23: £143.792m deficit) shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. The surplus/deficit figures are different from the statutory amounts required to be charged to the General Fund balance for council tax setting purposes, 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 £2.650m (2022-23: £6.228m restated). Total cash backed reserves as at end of the year amounted to £76.817m (2022-23: £74.166m).

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 £135.5m (2022-23: (£108.9m deficit)) reflects a deficit on the provision of services of £144.0m (2022-23: (£143.8m deficit)) and a deficit of £8.537m (2022-23 (£34.9m deficit)) 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 £265.1m (2022-23: £129,6m net liabilities) 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 £76.8m (2022-23: £74.2m). 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 £341.9m (2022/23: £203.8m). 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 (in)/out flows arising from operating activities of £6.0m (2022-23: (£7.24m) 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 4Business 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 2023-24 was set at £216.40 (2022/23: £210.05) per Band D property, a 2.9% (2022/23: 2.9%) increase on the previous year and a transfer of £8.7m (2022/23: £8.5m), into the Collection Fund following lower than expected collection rates for Council Tax during the previous year. There was a Deficit of £9.6m (2022-23: £6.6m surplus) on business rates. On council tax there was a surplus of £6.4m (2022-23: £2.4m 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 full accounts are filed at Companies House. Their accounts are independently audited.

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 (particularly Local Authority Housing Fund (LAHF) to limit borrowing in the future for specific capital projects. The use of LAHF grant to acquire temporary accommodation will help significantly ease revenue pressures on the Council's Homelessness budget by more than £3m per annum. Once the new Leisure Centre is completed, the Council's capital expenditure will significantly reduce further.

The Capital Programme is prepared on a 4-year rolling basis and is reviewed every year. The Capital Programme consists of the leisure centre construction project, LAG housing units acquisitions, 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.

Total gross capital expenditure in 2023-24 was £41.110m (2022-23: £20.972m) and a breakdown of the schemes making up this spend can be found in note 30. The majority of this related to financing of the new leisure centre in Staines, which is being built to the demanding environmentally friendly Passivhaus House specification, making it the largest wet and dry facility of its kind in the world.

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

Future capital expenditure and resources are as follows:

Future Capital Investment Plans and Resources	Estimate 2024/25 £'000	Estimate 2025/26 £'000	Estimate 2026/27 £'000	Estimate 2027/28 £'000
Capital Programme	25,752	3,428	1,639	1,533
Resources				
Capital Grants/Contributions & Capital Receipts	(4,312)	(310)	(310)	(233)
Lease Funding for Lease vehicle	(850)	(850)	(850)	0
Revenue Contributions (including Reserves)	0	0	0	0
Borrowing	(20,590)	(2,268)	(479)	(1,300)
	<u>(25,752)</u>	<u>(3,428)</u>	<u>(1,639)</u>	<u>(1,533)</u>

The Council strategy is to finance capital spending which generates ongoing income streams or generates revenue savings (for example LAHF housing units) from a combination of borrowing on a prudential basis on our projects, maximising applicable grant funding, such as LAHF and use of capital receipts for our smaller projects, particularly around housing delivery. To strengthen capital 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 2024, showing a deficit of £6.151m for this Council, (2022-23): £15.547m deficit) and the main reasons for this change are shown below.

- The deficit was decreased due to several factors the main ones being an increase in the present value of the defined benefit obligations by £1.8m and a £11.2m increase in the value of the pension fund assets. This was due to several factors including the discount rate increasing from 4.45% in 2022-23, to 4.75% in 2023-24. 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 2023, in part the increase in rates reflect the growth in number of staff employed by the Council since 2019. The Council decided to spread the cost of the secondary contributions (past service) over next three years. The liabilities of £6.151m show the underlying commitments

that the Council has in the long-term to pay retirement benefits. The liability has reduced significantly over the last years, this particularly reflects the impact of actuaries applying a higher rate to discount future liabilities. 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 hasn't taken any additional external long-term borrowing £0 (2022-23: £20.0m). This was predominantly the Council in 2022-23 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 £1,054m (2022-23: £1,068.8m), this is a reduction of £14m in long term outstanding debt. 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 (2022-23: £25.1m). 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 2023/24 £'000	Revenue Outturn 2023/24 £'000	Variance Outturn to Budget £'000
Gross Expenditure	72,227	61,579	(10,648)
Gross Income	(38,482)	(41,489)	(3,007)
	<u>33,745</u>	<u>20,090</u>	<u>(13,655)</u>
Investment Property Income	(42,718)	(38,250)	4,468
Interest on balances	(3,238)	(4,134)	(896)
Transfers (from)/to Earmarked Reserves	(11,219)	1,428	12,647
Interest paid	23,773	24,232	459
Debt repayment	12,396	12,396	0
Set-aside	630	630	0
Capital expenditure financed from revenue	805	1,598	793
	<u>14,174</u>	<u>17,990</u>	<u>3,816</u>
Financed by:			
Non-ringfenced grants and contributions	(3,130)	(4,785)	(1,655)
Net receipts from Business Rates	(2,379)	(5,540)	(3,161)
Council Tax (Demand on Collection Fund & Surplus)	(8,665)	(8,665)	0
(Surplus)/deficit for the year	<u>0</u>	<u>(1,000)</u>	<u>(1,000)</u>

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 has only

compounded this situation. Officers 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 2.3% in April 2024 There are economic challenges ahead and uncertainties in a General Election year. At this stage it is not yet certain when the Bank of England will start to cut the base rate. Offset against this is the welcome news that energy prices are expected to fall substantially for our residents.

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. One example is the current project to moving towards creation of a single finance team with Mole Valley.
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, seeking procurement savings - with a particular focus on asset related expenditure and developing appropriate frameworks
8. Tight vacancy control whilst seeking to balance impact on service provision (currently a moratorium on growth in FTE numbers)
9. Setting tight parameters for the Committees for the 2024-25 and future years' Budget process
10. Reviewing fees and charges, balancing impact on local residents and the local economy with the need to increase income.
11. Smarter use of technology –Seeking to encourage economic development within the Borough which will help stimulate business rates growth which will assist the Council's future funding. This will be linked to progressing the Local Plan for the Borough and master planning for Staines-upon-Thames.
12. In 2024 for the 2025-26 Budget process the Council is looking to undertake a Zero-Based Budgeting exercise and a review to look to strip out any inefficiencies across all services.

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 pandemic, Cost of Living Crisis, and inflation. As at the 31 March 2024 the Council held £76.8m (2022/23: £74.2m) in cash backed reserves.

The Council's reserves increased steadily in recent years in the years to March 2024 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 Passivhaus for the new Spelthorne leisure centre. This will increase the cost of upfront capital investment but should reap longer term revenue benefits through constraining rising energy costs. 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.

2023-24 Budget

In 2023-24 the total budgeted expenditure was £60m (2022-23: £58.9m) this is excluding non-cash cost of services such as depreciation, impairment costs and pension adjustments. Of this, the Council pays approximately 36% 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 23 February 2023, Council approved a net Budget of £14,173k 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 2023/24		
	£'000	£'000
Net Expenditure		14,173
Funded by:		
Council Tax	(8,765)	
Retained Business Rates	(1,929)	
Grants	(3,579)	
Collection Fund Deficit	100	
Total funding		(14,173)
General Fund Revenue Budget		(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. In November 2023 the Council invited the Peer team back to review the progress made in addressing their recommendations.

"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.

Both Councillors and officers worked together to deliver the recommendations made, and deliver improved outcomes, with regular updates provided to the Corporate Policy & Resources Committee.

During 2023-24 the Local Government Association (LGA) completed a 'Corporate Peer Challenge (CPC) Follow Up Review' of the Council to take stock of progress made against the original peer review undertaken in November 2022. The final version of the follow up review was received in March 2024 and was considered by Corporate Policy and Resources Committee in April 2024 along with an update on the progress made in the intermediate months, including approving the Council's Corporate Plan 2024-28 and resetting the Member-officer relations in formulating a unified 'Team Spelthorne'.

The detailed Corporate Plan setting out our corporate priorities, values and 135 short-, medium- and long-term actions was approved by Council in February 2024. Progress with these actions will be monitored and reported through a dashboard available to Councillors, and quarterly updates will be

provided to the Corporate Policy and Resources Committee. An Annual Report will also outline progress across each year and where necessary the Corporate Plan will be adjusted to take on board any emerging issues and revised priorities.

Public Interest Report (PIR)

Following a report being taken to Audit Committee in July 2023 as a result of the Public Interest Report (PIR), the Assets Service undertook to produce a revised suite of Asset Management documents that would set out how the Council would manage its land and property holdings. This included an overarching Asset Management Strategy and Asset Management Plan (AMP), that would relate to all Council owned land and property and sit above a more bespoke suite of portfolio specific documents as shown in the diagram below. The Asset Strategy and 5-year portfolio level AMP were approved by Full Council in December 2023 and will be subject to annual review and updating as required.

Annual Business Plans and the Asset Investment Strategy (AIS) were completed and presented to Committee between January and April 2024. These documents will be supported by 6 monthly reviews of the portfolio which will be reported to Committee. The AIS is a forward-looking document covering the 1st April to 31st March and captures the key highlight of each individual Asset’s business plan and summaries these into key priorities and leases for the forthcoming year. The AIS will be completed annually, following the yearly review and update of the 5-year business plans.

An end of financial year report will be prepared and taken to Committee around the end of Q1 (June/July) of the following financial year, this will capture the performance of the assets, performance against the Key Performance Indicators (KPIs) included in the AMP and any other relevant information about each asset, rental income, voids and void costs, key lease events and will be set out in the context of the regional property sector transactions for contextual purposes. The third review of the portfolio will be around November time each year and will deliver a summary of the property performance for the first 6 months of the year and include any change in focus on key priorities and expected income/void costs over the remaining 6 months of the year from those set out in the AIS.

This comprehensive level of reporting will ensure there is full transparency and understanding in respect of all aspects of the Council’s property portfolio and will be further supported by quarterly budget and sinking fund monitoring plus a development delivery strategy that focuses on the Council’s development sites and sets out parameters and objectives including statutory best value requirements to assist Committees with decision taking.



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)

Over a year ago, the Department for Levelling Up, Housing & Communities (DLUHC) asked the professional body for public sector finance, the Chartered Institute of Public Finance and

Accountancy (CIPFA), to review Spelthorne Borough Council's investment portfolio and borrowing position.

Whilst the Council responded in detail to the report findings, DLUHC Officials have only recently given the Council permission to make public our response to the CIPFA review that was issued in August 2023 to Lee Rowley MP, the then Minister for Local Government and Housing.

Full details can be found on the Council's website [Spelthorne responds to Best Value Inspection letter - Spelthorne Borough Council](#)

Best Value Inspection

On 8 May 2024, the Council received a letter from the Department for Levelling Up, Housing and Communities (DLUHC) advising the Council that it had appointed an Inspector to carry out a Best Value Inspection.

Over a year ago, the Department for Levelling Up, Housing & Communities (DLUHC) asked the professional body for public sector finance, the Chartered Institute of Public Finance and Accountancy (CIPFA), to review Spelthorne Borough Council's investment portfolio and borrowing position. The authority has now received a letter from the department advising that they have appointed an independent inspector to undertake a review of Spelthorne Borough Council to seek assurance that the Council complying with its Best Value Duty.

The Secretary of State decided to commission this inspection to provide him with direct, independent assurance that the council has 'arrangements to secure continuous improvement in the way in which its functions are exercised, with regard to economy, efficiency and effectiveness.' The government letter outlines concerns around debt relative to size of the Council's budget and governance whilst acknowledging that Spelthorne Borough Council has engaged constructively with the Department since 2022 and already taken action to mitigate risk. DLUHC has appointed Lesley Seary as Lead Inspector, who is independent of government, and has asked her to report her findings to the Secretary of State by 30 August 2024.

Leader of Spelthorne Borough Council, Cllr Joanne Sexton said "We welcome the independent review and will work with the inspector and her team. This administration has taken many decisive and positive steps since the May 2023 election including instigating a full external independent review of our commercial property portfolio. Additionally, we have reduced future borrowing requirements by nearly £200m and are pursuing alternative ways to deliver more affordable housing. We will continue to work with DLUHC in an open and transparent way and look forward to receiving the findings of the report."

The rental income received from our commercial property portfolio more than covers the financing costs and provides a significant contribution to support council services, additionally there is a reserve to cover possible income variation in future years.

The full letter can be read on the Council's website [Spelthorne responds to Best Value Inspection letter - Spelthorne Borough Council](#)

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. Additionally, there is uncertainty caused by the impact of the coming General Election.

In December 2023, the Council received provisional notification of the core spending power guarantee grant, for 2024/25, this was then increased in January 2024 when the Government increased the Guarantee from a 3% in Core Spending Power to 4%. The Council is reviewing and revising its Outline Budget key parameters and assumptions to provide a focus for the forthcoming 2025-26 and is particularly looking ahead to 2026-27 post the Election which is anticipated to be

challenging if nationally a business rates reset, and funding review takes place. 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 from 2026-27.

With the Council's commercial income stream holding up well despite the pandemic the Council was able set a balanced budget for 2024/25 and on an indicative basis the Council is forecasting budget deficits for the reasons mentioned above for the years 2025/25 to 2027/28.

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 place shaping/joint venture 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 £76.8m (2022/23: £74.166m) particularly sinking funds which should help Spelthorne to withstand the economic shocks of the Cost-of-Living crisis. 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 2024-25 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 2023-24, 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 2024, dated xx xxxx 2024

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

Councillor Jon Button
Chair of Audit Committee

Annual Governance Statement 2023-2024

Introduction

As Leader and Chief Executive, we are acutely aware that everything the Council does relies upon a foundation of solid governance. Having come through the COVID 19 pandemic, we continue to be significantly impacted by the geo-political challenging landscape - the war in Ukraine, conflict in the Middle East, a Cost-of-Living Crisis, a cost of doing business crisis, and a housing crisis. The Cost-of-Living crisis created new pressures for our residents, businesses, communities and for the Council itself. This means that 2023-24 was yet another challenging year for the Council.

In May 2023, the Council held whole Borough elections which resulted in twenty-two new councillors and the formation of a new Administration made up four of the five Groups in the Chamber. The Administration is seeking to be an all-inclusive Council, further refining the Committee system and associated governance arrangements. To properly equip our new councillors, we provided a comprehensive induction programme in the early months after the May 2023 elections. In total there were 22 training modules for councillors.

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 since the previous year's Governance Statement (2022/23).

Our commitment to good governance has seen a Committee System Working Group (CSWG) identify a new committee structure to further improve decision making processes. This was considered by the Standards Committee on 10 April 2024 and then Council later that month. It is anticipated that the revised committee structure will be in place from the May 2024 Annual Council Meeting. We have also continued to apply an overarching strategic framework in setting out the Council's corporate priorities and values in a new Corporate Plan that was approved by Council in February 2024.

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.

LGA Peer Review

During 2023-24 the Local Government Association (LGA) completed a 'Corporate Peer Challenge (CPC) Follow Up Review' of the Council to take stock of progress made against the original peer review undertaken in November 2022. A Corporate Peer Review challenge is where experienced officers and leaders from other local authorities 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 original Peer Review took place in November 2022 and the Council received its report on 1st February 2023 ([Spelthorne BC CPC Report November 2022](#)), which was published 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 original CPC review made 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 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.

Steps were taken by the Council to address 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 following the May 2023 local borough elections, and commissioning in summer 2023 an independent Establishment Review, undertaken by South East Employers (SEE), which went to Corporate Policy and Resources Committee on 1st July 2023 and covered issues such as staff recruitment and retention, as well as reviewing how staffing was structured. A Members Financial Reporting Working Group was set up for councillors to work with officers to help improve the clarity of financial reports. The Working Group proposed the "4 square" summary to be added to reports which has been implemented. The Working Group is looking at how reports can make greater use of graphical analysis, ensuring that reports do not include unexplained acronyms etc... A Peer Review Action Plan was developed to address all 12 of the recommendations made by the CPC Team and this underpinned a position statement that was shared with the CPC Team in November 2023

The final version of the follow up review was received in March 2024 and was considered by Corporate Policy and Resources Committee in April 2024 along with an update on the progress made in the intermediate months, including approving the Council's Corporate Plan 2024-28 and resetting the Member-officer relations in formulating a unified 'Team Spelthorne'.

The detailed Corporate Plan setting out our corporate priorities, values and 135 short-, medium- and long-term actions was approved by Council in February 2024. Progress with these actions will be monitored and reported through a dashboard available to Councillors, and quarterly updates will be provided to the Corporate Policy and Resources Committee. An Annual Report will also outline

progress across each year and where necessary the Corporate Plan will be adjusted to take on board any emerging issues and revised priorities.

The Council's vision for the Borough

The Council in December 2023 approved the high-level elements of a new Corporate Plan for the period 2024-28 and in February 2024 Council agreed a detailed plan, including short-, medium- and long-term targets. The Plan sets out five key priorities under the acronym CARES.

Community: To place the needs of the Borough at the heart of everything we do: supporting residents to live healthy and fulfilling lives and empowering communities so they feel included, valued, supported and safe.

Addressing Housing Needs: To support the delivery of high-quality housing and solutions to allow residents to live independently which meets the needs of all sections of the community at every stage of life, addressing the challenges around availability, affordability and homelessness.

Resilience: To ensure prudent management of our finances and resources and create a climate in which businesses can thrive. Work with partners to maintain our preparedness for emergencies.

Environment: To work with our residents, suppliers, and partners to minimise our impact on the environment and to achieve 'net zero' emissions by 2030. To maintain a clean and attractive Borough which supports biodiversity.

Services: To deliver a wide range of high-quality community focused and accessible services for everyone who lives and works in Spelthorne, striving for continuous improvement in all aspects of our work and providing excellent customer care.

Each of the priorities have three underlying themes.

Cost of Living Crisis and Housing Crisis

The overwhelming challenge for us in the past year has been responding to the ongoing cost of living crisis and inflationary pressures and managing the ongoing uncertainty. These external pressures have both impacted on the Council directly, making it more challenging to balance our budget, but equally they have made the lives of our residents more difficult, with more people turning to the Council for assistance, such as with housing and homelessness.

The Council's need to respond to increasing levels of demand for housing support has generated the largest single growth-bid built into the 2024-25 Budget, which was for £900k towards meeting the increased need to spend on temporary accommodation.

Environment

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 approval for a flagship ultra-low energy use (Passivhaus) leisure centre, construction is nearing completion on the Council's flagship, ultra-low energy (Passivhaus) 'Eclipse Leisure Centre', the UK's first full sized wet and dry Passivhaus leisure centre. This will potentially save 600 to 700 tonnes of carbon dioxide per annum. 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 from 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 climate change messages on a regular basis, covering a range of topics.

Spelthorne Borough Council (SBC) has continued to roll out its Carbon Literacy training programme across staff and councillors. It is aiming to achieve silver level of accreditation where the majority of staff are certified as carbon literate. This training gives staff and councillors 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 or councillor who attends training makes two pledges about how they will reduce carbon emissions at work, helping to reduce the Council's emissions.

Every year SBC organises a conference for pupils from Primary Schools within the borough and the programme is now in its 15th 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 process for the River Thames Scheme, which will mitigate the impact of flooding in the Borough. During 2023-24, the Council's Planning and Environmental Health team have been responding to the consultation on the Development Consent Order for the Scheme. The Council has been publicising awareness of this consultation.

Service Delivery

In 2023 we progressed our digital transformation strategy and after a procurement process, we 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 through a continuous improvement process. Our 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 feeds into the service plans of the different Council Services so that the organisation pulls in the same direction.

How we run the Council and its subsidiary companies

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?CIId=209&Info=1&MD=constitution> This has been reviewed during the course of the year as amendments have been made in the light of development of the committee system, recent events and changes in legislation. The most recent update to the Constitution was agreed by Council on 14 December 2023.

Policy Framework. We have a number of important policies which are approved by a majority of all councillors. These are reviewed regularly. One of key policies is the Local Plan and this is currently paused awaiting the Planning Inspector permitting the recommencement of the public examination.

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. Corporate Governance refers to the arrangements and processes by which an organisation is directed, controlled, led and held to account. In the public sector it is important to achieve agreed outcomes whilst meeting the public interest.

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 officers. 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.

As a result of our strategic property investments (that the authority made up to 2018) that generates a commercial revenue stream that supports many community focused services, there continues to be a focus on how decisions around the management of these assets are made and how risks are mitigated and managed. Under the Constitution agreed in May 2021, a new sub-committee of the Corporate Policy and Resources Committee 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). We have ensured that it has independent auditors and that such audits feed into the Council's overall Statement of Accounts. In December 2020, two experienced Non-Executive Directors were appointed following a competitive recruitment process. The 2022-2023 annual report can be read [here](#). 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 independently audited accounts for 2022-23 received a clean audit opinion and show on the Total Comprehensive Income and Expenditure statement a £1.2m excess of income for the year, this was as a result of an upwards valuation in the Company's assets of £2.9m.

Spelthorne Direct Services Ltd (SDS): During 2020-21, the Council set up SDS 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, and the auditors have issued a clean audit opinion for the 2022-23 Accounts. Work has now started on preparing for the audit of the 2023-24 Accounts. The 2022-2023 annual report can be read [here](#).

How we manage the Council's 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, which has enabled us to continue to provide our discretionary services for residents. An efficiency and transformation programme has been put in place for 2024-25 to ensure that the cashable savings built into the 2024-25 Budget are delivered. Progress against those targets will be reported on in the quarterly budget monitoring reports.

Commercial Property Investments

Thirty percent of the money we need to run the Council and provide services for residents now comes from our investment properties. It is essential that these investment work for us and that we protect them 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, 99.98% in 2022-23 and currently a draft figure of 99.1 % for 2023-24. (This slightly lower than previous years due to one tenant being in an administration process).

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 2024-25 the Sinking Funds Reserves balances stood at £35m, a slight drop of £3m from the previous year's balance of £38m. The Council had however been anticipating the need to make some use of the sinking funds reserves to offset the impact of some churn of tenants across the portfolio in-year (occupancy rate at the year-end 90%). During 2024-25, we will be undertaking a review of the sinking fund methodology, whilst also modelling and agreeing a refreshed strategy for the next fifty years. At the same time as the sinking funds reserves reduced by £3m in 2023-24, the Council has increased its general contingency reserve, the General Fund by £1m increasing the balance to £3.1m. This will provide the Council with additional resilience during turbulent times.

Dialogue with Department for Levelling Up, Housing and Communities; CIPFA Capital Assurance Review and Best Value Inspection

During 2023-24, the Department for Levelling Up-Housing and Communities (DLUHC) continued a dialogue 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 its investment assets (in the period 2016 up to 2018). The Council constructively engaged with DLUHC officers during summer/autumn 2022 through to summer 2023 and explained the Council's approach to mitigating debt on its investment assets through its Sinking Funds reserves. In February 2023, DLUHC Ministers decided to progress further the review by asking the Chartered Institute of Public Finance and Accountancy (CIPFA) to undertake a further Capital Assurance Review with authorities within scope (including Spelthorne). The review work was undertaken in February/March 2023 and CIPFA submitted their report to DLUHC in July 2023. The report can be seen here [Spelthorne Borough Council: Capital Assurance Review \(publishing.service.gov.uk\)](https://publishing.service.gov.uk) the report acknowledged that the investment asset portfolio is managed in a reasonably professional and proactive manner. However, CIPFA stated as the portfolio has an anticipated 50-year lifespan (now 42 to 44 years before debt fully paid off) that. CIPFA suggested the Council would benefit from a more long-term management approach. The report commented on the Council's ambitious affordable housing plans which it was evaluating at the time of the review. At the time of the review those plans represented £325.2 million of borrowing over the next four years. Concerns were expressed that Finance was shorthanded, and internal audit arguably so. There were 12 recommendations made as follows:

1. Deployment of DLUHC expert independent support into SBC to assist with its immediate and ongoing financial challenges.
2. The council's affordable housing plan should be subject to a rigorous viability assessment and options appraisal.
3. Set tight future borrowing limits, providing for schemes that have commenced and for statutory requirements.
4. Agree specific terms of reference for the review and treatment of the sinking fund
5. Subject the investment property portfolio to immediate fundamental assessment and ongoing review, including consideration of disposals
6. The council's financial management capacity and skills base should be assessed
7. The council should increase the capacity of its internal audit team
8. The council's approach to financial governance and decision making should be reviewed urgently
9. As part of the review of governance and decision making, any actual, perceptual or potential conflicts in relation to Council Officer/Member involvement with Knowle Green Estates and similar bodies should be assessed
10. Time-limit property valuer incumbency
11. Commission a review of the use of short-term borrowing
12. Ongoing review of business cases

In response, as requested by DLUHC, the Council issued a granular response to the CIPFA conclusions and recommendations, see [Spelthorne responds to Best Value Inspection letter - Spelthorne Borough Council](#). This included highlighting that the CIPFA review did not review as a key part of the Council's risk mitigation with respect to its investment assets and borrowing, its sinking funds reserves. The Council did carefully consider the recommendations and over the following twelve months did advance a number of actions. Following on from the discussions with CIPFA, the Council reviewed its approach towards capital risk management. This was combined with implementing an Action Plan to address the recommendations in the October 2022 Public Interest Report issued by the Council's external auditors. The steps taken by the Council since the CIPFA review include:

- In response in part to the impact of significantly higher interest rates and construction inflation, the Council in October 2023 took the decision to step back from seeking to directly deliver and finance housing delivery projects across the Borough. Instead, the Council agreed to continue to seek to address housing need but through a place making and joint venture strategy. This

approach is being developed in collaboration with councillors and is being led by the Group Head for Assets.

- In October 2023 the Council reduced its forward borrowing limits by £280m
- This means once the Council's new leisure centre is completed there will be very limited capital programme spend required to be financed
- Council has reviewed its borrowing approach with its adviser's, existing debt is fixed until maturity without a need for re-financing
- The Council's Audit Committee addressed concerns expressed with respect to its internal audit resilience by recommending to Council in February 2024 that the Council join the Southern Internal Audit Partnership (SIAP), the Council joined SIAP in April 2024 which will give it access to a large pool of internal audit expertise and resource.
- At the time of the CIPFA review the Council was completing a restructuring of the finance team which strengthened it, including creating two CIPFA trainee apprentice posts
- The Council participated in autumn 2023 in a Surrey wide independent Financial Resilience review undertaken by LGA Improve
- The Council has further reviewed and refined its committee governance arrangements including committees overseeing property matters
- The Council is time limiting valuer's incumbency, and following CIPFA's suggestion commissioned a second parallel valuer of its investment assets, which was reported to its Development Sub-Committee
- Since it acquired its investment property assets in 2016-2018, the Council has periodically commissioned external experts to critically review our portfolio, the arrangements for managing those assets, and the risks and opportunities relating to those properties. The most recent independent review commissioned by the Council was undertaken by JLL and reported to the Council's Development Sub-Committee in February 2024 and to Audit Committee in March 2024. The review identified that most of the assets in the portfolio remained best in class and well placed to do well when the office market sector begins to recover when interest rates start to ease. The review considered the issue of future restructuring of the portfolio, including timing of disposals.

On 8th May 2024 the Department of Levelling Up Housing and Community wrote to Spelthorne notifying that it was commissioning a Best Value Inspection of the Council under the new Best Value framework (also confirmed by Government that day), and for the report to be submitted to the Secretary State by the end of August. The Inspection notification letter made reference to both the CIPFA Review and the LGA Peer Review and Peer Review follow up report. The inspection will seek direct, independent assurance that the Authority is making arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. The review has been requested in the context of ministers' concerns about the Council's high level of outstanding past borrowing and their desire to have assurance that risks are being managed appropriately. The Best Value Inspection follows on from the CIPFA review mentioned above. The Council welcomes the opportunity to engage with an independent review team and the chance to provide evidence of the appropriateness of arrangements in place. The Council will positively engage with the Inspection team.

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 have confirmed with councillors and senior managers that we will be undertaking a zero-based budgeting exercise for the 2025-26 Budget which will feed into the next Budget process, alongside an efficiency programme which will cover all service areas.

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 several 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. In 2022, 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 which we now operate under. Work is underway for a 2024 survey, using the same template, which is planned for May. This will allow the authority to benchmark the results from two years ago.

Engaging with stakeholders

The Council has several ways it engages and communicates with residents and businesses in the Borough. We are always reviewing the most appropriate ways to communicate, from formal statutory consultations through to the Council's use of social media, website, the Customer Portal, Borough noticeboards and direct mail.

Growing our social media audience has been a priority 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 user's 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:

Consult: We hold frequent consultations about various issues and topics, including housing developments, health and wellbeing, arts and culture, budget setting and community safety. Consultations take on various forms, both online and in person to ensure maximum accessibility. Consultation results are then reported back to residents with an outline of next steps and decisions.

Listen: We will work with and listen to our 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 practice.

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 that knowledge, skills and expertise can be shared to help shape priorities and effectively deliver on them.

Empower: 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.

Our engagement strategy adopts a comprehensive 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:

- Raise issues through the Council's 'report-it' forms.
- 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 newly formed Spelthorne Partnership Assembly (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 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 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.

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 Corporate Plan sets out the core values of the Council under the acronym PROVIDE. This stands for:

- Pride in our council and communities
- Responsive and respectful
- Open and accountable
- Value for Money
- Integrity
- Dependable
- Empowering and inclusive

It can be seen that there is a considerable synergy between the Council's values and the broader public sector Nolan values set out above.

The Council's values define the guiding principles and the culture of the Council and explain 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 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 2023 to 31 March 2024, there were 9 complaints against Members. This is a reduction from 11 during the previous year. One complaint is currently being investigated. A number have been rejected by the Monitoring Officer as being politically motivated or insufficient evidence to support the complaint. 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. In accordance with the Council's Member Misconduct Complaints Procedure, the Independent Person's view is sought on all complaints that pass the 1st stage of the assessment 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 subject to internal audit during 2023/24 and Reasonable Assurance was found. There are also policies dealing with Counter-Fraud, Bribery and Corruption and Whistleblowing.

External Audit

Whilst KPMG, the Council's external auditors reported to the Audit Committee in March 2023 their intention to issue an unqualified opinion on the 2017-18 Statement of Accounts, the auditors signed off their opinion on the Accounts on 19th June 2023, this followed updating of the Annual Governance Statement for 2017-18. This followed on from the Public Interest Report (PIR) the external auditors issued in October 2022 and the qualified Value for Money Opinion for 2017-18. During 2023-24, the Audit Committee approved an Action Plan with the new Group Head for Assets, progress against which will be periodically reviewed. This included a revised Asset Management Strategy and Plan being agreed. The Asset Management Plan sets out the way the Council will manage its Assets, the frequency and timing of reporting performance of the portfolios against an agreed set of Key Performance indicators and an updated risk register, which will also form part of the annual and half yearly reporting.

The table below summarises which audit firm is responsible for auditing different years of accounts. The firms are not appointed by the Council but by Public Sector Auditor Appointments.

Accounts years responsible for auditing	Audit Firm
Up to and including 2017-18	KPMG
2018-19 to 2022-23	BDO
2023-24 to 2028-29	Grant Thornton

In large part due to the length of time it took KPMG to complete the 2017-18 audit opinions, combined with national external audit resourcing challenges, and uncertainties caused awaiting clarification as to how Government was going to clear the national backlog (at one stage 918 audit opinions were overdue, subsequently fall to approximately 600 prior to 2023-24 opinions), the Council now faces the unsatisfactory situation of having a backlog of statements of accounts without audit opinions for the period 2018-19 to 2022-23. Whilst the draft statements have been produced each year in time for the national deadlines and in accordance with national accounting guidance, we recognise that this does not give assurance to stakeholders. Unfortunately, the Government's solution of requiring audit firms to issue opinions either modified or disclaimers by 30th September 2024 may mean we will not get assurance on these accounts and receive disclaimer opinions. However, the incoming auditors Grant Thorntons who are responsible for auditing from 2023-24 will be actively auditing the 2023-24 accounts. They may however have to give a qualified opinion for the 2023-24 Accounts if they are unable to receive sufficient assurance from the outgoing auditors BDO.

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 and associated risk analysis for individual investment assets; an Asset Management Plan (which includes Key Performance Indicators (KPIs); production of an Annual Investment and Regeneration Assets Report (which addresses the points raise in 6.9 of the Auditors report); and developing a portfolio risk register (assets risks already feature on the Council's overall Corporate Risk Register).

In addition, a corporate risk model/matrix was launched in 2021 as part of the revised Risk Management Policy and risk management training delivered to managers. Given this history of openness to engaging with external reviews the Council, as stated above, looks to positively engage with the Best Value Inspection process. 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 local economic functional area, as the Council's 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.

How we learn and improve

A LGA 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. An LGA Corporate Peer Challenge (CPC) Review was undertaken in November 2022, and the CPC Team undertook a follow up visit in November 2023 to review progress against the recommendations they had made.

We periodically review our self-assessment against the CIPFA Financial Management Code to assure ourselves that we are appropriately owning and addressing financial management challenges. We took the latest self-assessment to Audit Committee on the 19th of March 2024. At the same Audit Committee, we also considered a self-assessment against the then draft DLUHC Best Value Theme indicators for Use of Resources.

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

Internal audit

Up until the end of 2023-24 the Council had a small internal audit team (supported by audit contractors as required) which provided 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 (PSIAS). The effectiveness of internal audit is reviewed annually, and an external quality assessment undertaken once every five years. An independent external review was undertaken in 2023, reporting that the service conformed well to the PSIAS, with many examples of good practice, and the findings and recommendations were communicated to the Audit Committee and Management Team.

During 2023-24, in part in response to the departure of a member of the Audit Team, the Council considered options for enhancing the resilience of internal audit, and following a selective process, Council at its February meeting voted to join the Southern Internal Audit Partnership (SIAP) with effect from 1st April 2024. The Internal Audit Manager has transferred across to SIAP.

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 (in future this will be provided by SIAP). 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 ten assurance reviews relating to the 2023/24 audit plan, of which three concluded substantial assurance provision, six concluded reasonable assurance and one was identified as 'limited assurance'. Audit recommendations carry a priority rating (low/medium/high), and these will be followed up taking account of target dates to confirm implementation status. Two further assurance assignments currently underway (overall assurance opinions not yet concluded) will be reported in the annual audit report for 2023/24 presented to Audit Committee, and matters arising so far have been considered for the annual audit opinion. Other relevant sources of assurance such as audit advisory work, 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 2023/24

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

(1) The ongoing significance of evolving externalities have continued to exacerbate many of the Council's strategic risks and challenges in delivery of corporate priorities and objectives. Financial risk represents a common theme carrying high impact across many of the Council's strategic risks, and overlaps with other competing crises and significant pressures, with some reflecting sector wide issues.

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 and the Council has many established systems of internal control. Scope for improvements to both the design and operation of internal controls in effectively managing risks and delivering objectives have been raised and 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.
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Punita Talwar

Internal Audit Manager (Chief Audit Executive, Spelthorne Borough Council (2023/24))

Chartered Internal Auditor (CMIIA)

April 2024

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 2023/24 are to be found on the Audit Committee pages of the Council's website.

Internal audit resource during 2023/24 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. Soft implementation of a risk appetite framework has been pursued during 2022/23, with continued integration into the service planning process having been insightful in ascertaining service level risk appetites across the Council. A member approved risk appetite for the Council across key impact measures reflecting collaborative discussions with senior executive officers could further support and enhance the Council's overall risk maturity.

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.

Audit Committee

Terms of reference are set out in Constitution. There are regular meetings, and a 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. Such measures contribute towards the overall effectiveness of Audit Committees through strengthened governance structures.

FOI/GDPR

We aim to ensure ongoing compliance with the General Data Protection Regulations and improve the Council's information governance arrangements. This workstream 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 (Annual Governance Statement) relating to 2022-23

Completed (with periodical reporting having been undertaken).

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

Action progressed in view of the 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 2023-24 and how we are addressing them:

<u>Issues Identified/Risk Implications Relates to 2023/24 Period</u>	<u>Action and status</u>
<p><u>1.Wider Externalities</u></p> <p>Exposure to wider externalities and other pressures are continuing to present competing levels of crises. The worsening financial and housing crisis across the local government sector continues to have adverse effects, impacting communities. Consequently, the Council continues to encounter some challenges in the context of delivering corporate priorities. <i>(This is elaborated further in the subsequent paragraph).</i></p> <p>The ongoing significance and impact of wider evolving externalities such as the</p>	<p><u>Management Action</u></p> <p>The Corporate Risk Register highlights how the Council's risk exposure to wider externalities continues to present some adverse impact and ongoing challenges in terms of the Council's financial sustainability, economic prosperity, Housing Development programme, and provision of housing need. The local mitigation measures and prioritised actions to alleviate the identified risks have been drawn out in the Corporate Risk Register.</p>

<p>macro-economic environment (including the knock-on effect of elevated inflation, accelerated interest rates and cost of borrowing over a sustained prior period), and geopolitical tensions have continued to exacerbate the Council's financial challenges in delivering corporate priorities. These factors coincide with increased service demands to support communities during a continued Cost-of-Living crises, housing crisis and Cost of Doing Business 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 focused around localised measures.</p>	
<p><u>2.Financial risk</u></p> <p>(i) Financial risk remains a strategic theme carrying high impact across several risk categories on the Council's Corporate risk register. Ongoing financial pressures, challenges and local authority funding constraints (similar to other Councils) continue to have a significant impact on the Council's budgetary position and financial sustainability in delivering corporate priorities and services. A balanced budget has been produced for 2024/25, although additional budgetary challenges from 2026/27 have been identified by Finance and communicated by the Corporate Management Team (if a Fair Funding Review and Business Rates reset happens then).</p> <p>(ii) In the context of financial risk, externalities and wider factors have continued to significantly affect the financial viability of each housing development scheme project leading to rising overall costs, and risk of adverse financial position of the Council. In responding to this threat, the Council decided to suspend direct delivery of the Housing development programme from mid-September 2023. Options are being explored with a view to minimising the proportion of accumulated capital costs (£10-15m) to be charged to the Council's Revenue budget with ongoing management of this risk. In addition, holding costs of £1.6m per annum relating to the housing delivery schemes are continuing to be incurred until</p>	<p><u>Management Action</u></p> <p>(i) Please refer to the Council's Corporate Risk Register for a range of actions underway or planned in alleviating the ongoing financial challenges. This includes progressing the medium-term financial strategy, application of earmarked financial reserves to the Council's budget with forecast over 4 years, quarterly monitoring of the efficiency savings programme and extent of cashable savings target being delivered, and the introduction of zero-base budgeting as part of the 2025/26 budget cycle. A Surrey Wide Financial Resilience Review has been undertaken in 2023/24 to ascertain a holistic County position.</p> <p>(ii) Please refer also to the first management action under category 3 below in terms of progressing a new Development Delivery strategy, which may over time support mitigation of current holding costs being incurred on development sites (once outcomes are delivered on sites).</p>

<p>outcomes are delivered on the sites. These factors continue to present a significant financial impact on the Council's budgetary position.</p>	
<p><u>3.Housing – Development and Targets</u></p> <p>(i) Further to the Council's decision to suspend direct delivery of the Housing development programme from mid-September 2023, this has/will further impact timelines for delivery of housing schemes and development targets (both affordable and general housing).</p> <p>(ii) The existing Local Plan is no longer fit for purpose and has become significantly out of date. Various factors have led to significant delays in the examination and adoption of a new Local Plan, which are likely to continue to impact on the ability to bring forward the appropriate quantum of housing development. Therefore, preparation and adoption of a New Local Plan to meet future need and strengthen affordable housing policy remains a work in progress.</p> <p>Due to further pausing of the Local Plan Examination Hearings until Spring 2024, as a result of the decisions made at the Extraordinary Environment and Sustainability Committee on 29.2.24, a number of specific risks and challenges presented include (as identified and reported in the Corporate Risk Register):</p> <p>(a) additional pressure on SBC Local Plan to meet the housing need of other boroughs (b) a lack of certainty around Housing Delivery (c) legal challenge (d) prospect of unsuitable developments (e) adverse publicity and reputational damage.</p>	<p><u>Management Action</u></p> <p>(i) Subject to Member approval, the Council will be progressing a Development Delivery strategy to accelerate housing outcomes across the sites currently owned by the Council. The new Member driven strategy aims to support robust and timely decision making by applying established criteria to inform and guide decisions relating to future development delivery approaches. This will be further supported by the overarching Asset Management Strategy.</p> <p>(ii) The views of the Environment Agency have been received on the revised Strategic Flood Risk Assessment. In response, the Council is considering whether there is scope to develop some mutually acceptable amendments to address the concerns raised by the EA (Environment Agency), whilst still ensuring the future safety of residents. Proposed amendments to the Local Plan will then be put forward to the Planning Inspector to enable him to reach a view on whether the Council is able to recommence the independent Examination of the draft Local Plan</p>
<p><u>4.Housing –Supply and Demand; Addressing Need and Provision</u></p> <p>(i) Lack of affordable housing supply increases homelessness with increased demand for temporary or social housing. The demand for temporary housing increased significantly over the last year for a variety of reasons and is expected to increase further. The housing crisis is therefore increasing the need to spend on temporary accommodation to support residents, impacting further the 'financial risk' theme referred to above under category 2.</p>	<p><u>4.Management Action</u></p> <p>Please refer to the Council's Corporate Risk Register category 1B. Some examples of how the risks are being managed are referred to below.</p> <p>(i) Quarterly Strategic Action Plan monitoring and review relating to Housing and Homelessness Strategies.</p> <p>Collaborative working with Registered Social Landlords and Partners to pursue delivery of affordable housing need and manage pipeline of units.</p>

<p>(ii) Geopolitical factors continue to present increased demand in supporting refugee communities and consequently managing the provision of suitable and secure housing.</p> <p>(iii) More asylum seekers have/are presenting to the Council in need of housing support partly due to the increased rate of determination of asylum seeker claims by central government.</p>	<p>The Local Authority Housing Fund initiative - LAHF capital grant rounds 1 & 2 are being drawn upon to support provision of temporary accommodation (see below also).</p> <p>(ii) Acquisition of properties to support refugees forms an important strategy that the Council is pursuing. (Partly funded from the Local Authority Housing Fund - LAHF capital grant rounds 1 & 2). This is intended in the longer term to support general housing need.</p> <p>(iii) The Council is lobbying for additional funding support in recognition of the resourcing and financial impact of more asylum seekers presenting in need of housing support.</p>
<p><u>5.Climate Change and Environmental Sustainability</u></p> <p>The adverse impact of Climate Change is already being felt through greater extremes of weather (storms with heavier rainfall and heatwaves). As referred to in the Corporate Risk Register, instances are increasing and likely to continue. Ongoing focus will need to be given to prioritising mitigation measures in managing the significant impact of these risks, as well as adaptation to environmental change.</p> <p>The impact of extreme weather can be fatal (in the summer of 2023 there were 72,000 excess deaths reported in Europe due to the extreme heat and 4500 in the UK in 2022). This also impacts on the economy and puts at risk safety, livelihood, homes, and properties. Actions required by the Council, for example in responding to the recent severe flooding occurrences, are seriously draining the Council's resources.</p>	<p><u>5.Management Action</u></p> <p>The Council are continuing to review its preparedness for Climate Change and the register sets out many examples of risk management strategies currently in place or underway. The Council are continuing to roll out a comprehensive Carbon Literacy training programme to inform and educate individuals, with a view to supporting improved integration of environmental considerations in planning and delivering services.</p>
<p><u>6. Periodical review of procedural practices and policy frameworks</u></p> <p>Some audit assignments identified scope for updating procedural practices documentation and associated policies. Whilst this may not necessarily be regarded as a priority task in the context of wider service pressures, it remains important that officers have a clearly defined, relevant and current procedural and policy framework within which to operate that encompasses key internal</p>	<p><u>6.Management Action</u></p> <p>During 2023/24 the Council have already identified the need to develop more robust central monitoring mechanisms to ensure that key procedural documentation and policy frameworks are scheduled for timely review and regular reporting.</p> <p>Appendix A of the 2023/24 annual audit report incorporates several audit recommendations raised around periodical review and refreshing of procedural practices documentation and associated</p>

<p>control processes. Organisational or service restructures and staffing changes may result in a transfer or loss of knowledge, and a documented practices framework is also useful to support business continuity arrangements.</p>	<p>policies for specific functions audited in 2023/24. In some areas these have been implemented or are under discussion.</p>
<p><u>7.Audit Trails and Decision Making</u></p> <p>It was identified that better evidencing to demonstrate officer and management checks being undertaken for some financial systems/wider processes would help to support/reinforce accuracy and validity of data input including where changes are initiated.</p> <p>There are some systems where certain elements of audit trails were found to be weak or incomplete. For example, demonstrating how a decision has been derived on a housing application submitted should be efficiently integrated into routine practices so that the rationale for decisions and actions are transparent and can be ascertained by someone who has had no prior involvement with the process.</p>	<p><u>7.Management Action</u></p> <p>Appendix A of the 2023/24 annual audit report incorporates several audit recommendations around the need for better audit trails in some areas, as well as enhanced transparency to demonstrate relevant stages in supporting officer decision making. These recommendations are under discussion for perusal.</p>
<p><u>8.Corporate Procurement</u></p> <p>Whilst an appropriate framework is in place (and has been strengthened since the prior internal audit), the audit identified that requirements need to be re-enforced to all Procuring Officers to ensure adherence to Contract Standing Orders. Compliance monitoring processes across a range of areas also need to be strengthened and embedded to enable prompt identification of issues or trends arising. Contract management processes across various stages of the cycle including the Contracts Register also require enhancements.</p>	<p><u>8.Management Action</u></p> <p>A management action plan was produced during autumn 2023 to take forward the audit recommendations. A progress update was presented to the Audit Committee at the meeting of 30th January 2024 by the former Procurement lead officer including key developments around delivering a comprehensive training programme and continued awareness raising. Some next steps were discussed at that time.</p> <p>Appendix A of the annual audit report incorporates recommendation status and areas implemented or addressed as far as possible. The new Interim Procurement Manager may wish to update the status further of recommendations in due course.</p>

Conclusion

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

Cllr Joanne Sexton
Leader of the Council

Daniel Charles Mouawad
Chief Executive

Comprehensive Income and Expenditure Statement Income and Expenditure Statement

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

2022/23		CI&ES		2023/24			
Restated							
Expenditure	Income	Total		Expenditure	Income	Total	
£'000	£'000	£'000	Notes	£'000	£'000	£'000	
31,839	(26,488)	5,351	Community Wellbeing & Housing	33,725	(29,155)	4,570	
7,540	(4,069)	3,471	Corporate Policy and Resources	9,399	(4,128)	5,271	
576	(656)	(80)	Economic Development	781	(633)	148	
2,071	(620)	1,451	Environment & Sustainability	2,204	(851)	1,353	
10,366	(3,910)	6,456	Neighbourhood Services	11,237	(4,374)	6,863	
9,760	(1,857)	7,903	Regulatory Administrative Comm	7,756	(3,019)	4,737	
62,152	(37,600)	24,552	Cost of Services	65,102	(42,160)	22,942	
0	(985)	(985)	Other Operating Income & Expenditure	15	2,139	2,154	
190,863	(56,573)	134,290	Financing & Investment Income & Expenditure	9	187,522	(51,449)	136,073
21,991	(36,055)	(14,064)	Taxation & Non-specific Grant Income	10	19,814	(36,984)	(17,170)
275,006	(131,213)	143,793	(Surplus)/Deficit on the Provision of Services	272,453	(128,454)	143,999	
		(502)	(Surplus)/Deficit on revaluation of Property, Plant & Equipment	21		2,738	
			Impairment Losses on non-current assets charged to the Revaluation Reserve			0	
		2,168	(Surplus)/Deficit from investments in equity instruments designated at fair value through other comprehensive income	21		(1,768)	
		(36,552)	Remeasurement of the the defined net defined benefit liability/(asset)	21		(9,507)	
		<u>(34,886)</u>	Other Comprehensive Income & Expenditure			<u>(8,537)</u>	
		<u>108,907</u>	Total Comprehensive Income & Expenditure			<u>135,462</u>	

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 22/23 figures are shown for comparison with restated 2022/23 figures.

Movement in Reserves Statement	General Reserves	Capital Receipts Reserves	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Reserves
2023/24	£'000	£'000	£'000	£'000	£'000	£'000
Balance brought forward 1st April	(70,854)	(1,535)	(1,777)	(74,166)	203,791	129,625
Movements in-year						
Total Comprehensive Income & Expenditure	143,999	0	0	143,999	(8,537)	135,462
Adjustments between accounting & funding basis under regulations (note 7)	(146,427)	(492)	271	(146,648)	146,648	0
(Increase)/Decrease in-year	(2,428)	(492)	271	(2,649)	138,111	135,462
Balance carried forward 31st March	(73,282)	(2,027)	(1,506)	(76,815)	341,902	265,087

Movement in Reserves Statement	General Reserves	Capital Receipts Reserves	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Reserves
2022/23 Restated	£'000	£'000	£'000	£'000	£'000	£'000
Balance brought forward 1st April	(65,376)	(468)	(1,995)	(67,839)	88,556	20,717
Movements in-year						
Total Comprehensive Income & Expenditure	143,793			143,793	(34,885)	108,908
Adjustments between accounting & funding basis under regulations (note 7)	(149,271)	(1,068)	219	(150,120)	150,120	0
(Increase)/Decrease in-year	(5,478)	(1,068)	219	(6,327)	115,235	108,908
Balance carried forward 31st March	(70,854)	(1,536)	(1,776)	(74,166)	203,791	129,625

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 23	Balance Sheet		31 Mar 24
Restated			
£'000		Notes	£'000
149,259	Property, Plant & Equipment	11	183,896
209	Heritage Assets	12	203
755,206	Investment Property	13	602,330
365	Intangible Assets	14	568
33,770	Long-term Investments		35,151
31,474	Long-term Receivables		28,677
970,283	Long-term Assets		850,825
15,291	Short-term Investments		384
0	Assets held for Sale		0
28	Inventories		20
7,380	Short-term Receivables	16	8,047
43,890	Cash & Cash Equivalents	17	9,790
66,589	Current Assets		18,241
(30,238)	Short-term Borrowing		(33,877)
(50,460)	Short-term Payables	19	(36,525)
(1,364)	Short-term Provisions	20	(1,234)
0	Short-term Liabilities		(304)
(82,062)	Current Liabilities		(71,940)
(1,068,753)	Long-term Borrowing		(1,054,191)
(15,682)	Other Long-term Liabilities		(8,022)
0	Long-term Grants received-in-advance - Capital		
(1,084,435)	Long-term Liabilities		(1,062,213)
(129,625)	Net Assets/(Net Liabilities)		(265,087)
(74,166)	Usable Reserves	MIRS	(76,815)
203,791	Unusable Reserves	21	341,902
129,625	Total Reserves		265,087

I confirm that the unaudited Statement of Accounts presents a true and fair view of the financial position of the Council at 31 March 2024 and the Council's income and expenditure for the year.

T C Collier (signed)

Mr T Collier, CPFA, CA. Section 151 Officer, Chief Finance Officer, Deputy Chief Executive
Spelthorne Borough Council 3 June 2024

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.

2022/23	Cash Flow		2023/24
Restated			
£'000		<i>Notes</i>	£'000
143,793	Net (Surplus)/Deficit on the Provision of Services	CI&ES	143,999
(153,077)	Adjustments to net (surplus)/deficit on the Provision of Services for non-cash movements	22	(142,432)
2,035	Adjustments to net (surplus)/deficit on the Provision of Services that are Investing and Financing Activities	22	4,433
(7,249)	Net Cash Flow from Operating Activities		6,000
(7,122)	Investing Activities	23	20,176
23,435	Financing Activities	24	7,924
9,063	Net (increase)/decrease in Cash & Cash Equivalents		34,100
52,953	Cash & Cash Equivalents at the beginning of the reporting period		43,890
(9,063)			(34,100)
43,890	Cash & Cash Equivalents at the end of the reporting period	17	9,790

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
- Understandability
- 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 iBOXX 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 2023/24 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 (existing use value for social housing))
- Council offices – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV), except for a few offices that are situated close to the Council’s housing properties, where there is no market for office accommodation, and that are measured at depreciated replacement cost (instant build) as an estimate of current value
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant’s perspective
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

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

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

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

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

1.19.3 Impairment

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

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

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

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

1.19.4 Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

1.19.5 Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on assets held for sale.

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

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

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

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

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

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

1.20 Provisions, Contingent Liabilities and Contingent Assets

1.20.1 Provisions

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

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

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

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

1.20.2 Contingent Liabilities

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

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

1.20.3 Contingent Assets

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

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

1.21 Reserves

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

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

1.22 Revenue Expenditure Funded from Capital under Statute

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

1.23 VAT

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

1.24 Fair Value Measurement

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

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

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

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

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

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

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

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

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

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

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

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

1.26. Interests in Companies and Other Entities

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

Notes to the Core Financial Statements

Statement of Expenditure and Funding Analysis

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

	2023/24				
	As reported to Council	Adjustments to arrive at report to Council	Net Expenditure chargeable to the General Fund	Adjustments between the Funding and Analysis Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000	£'000	£'000
Community Wellbeing & Housing	0	0	3,430	1,141	4,571
Corporate Policy and Resources	0	0	4,278	993	5,271
Economic Development	0	0	149	0	149
Environment & Sustainability	0	0	1,404	(52)	1,352
Neighbourhood Services	0	0	6,079	783	6,862
Regulatory Administrative Comm	0	0	4,749	(11)	4,738
Cost of Services	0	0	20,089	2,854	22,943
Other compatible income/expenditure			(36,513)	157,570	121,057
Net position	0	0	(16,424)	160,424	144,000
Opening balance for General Fund			(2,083)		
Net position above			(16,424)		
Minimum Revenue Provision			12,397		
Contribution to capital spending			1,599		
Transfer to Reserves			1,428		
Closing balance for General Fund			(3,083)		

	2022/23				
	Restated				
	As reported to Council	Adjustments to arrive at report to Council	Net Expenditure chargeable to the General Fund	Adjustments between the Funding and Analysis Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£'000	£'000	£'000	£'000	£'000	
Community Wellbeing & Housing	0	0	2,613	2,738	5,351
Corporate Policy and Resources	0	0	3,348	123	3,471
Economic Development	0	0	(114)	34	(80)
Environment & Sustainability	0	0	1,248	203	1,451
Neighbourhood Services	0	0	5,410	1,046	6,456
Regulatory Administrative Comm	0	0	6,743	1,160	7,903
Cost of Services	0	0	19,248	5,304	24,552
Other compatible income/expenditure	0	0	(37,821)	157,062	119,241
Net position	0	0	(18,573)	162,366	143,793
Opening balance for General Fund			(2,002)		
Net position above			(18,573)		
Minimum Revenue Provision			12,095		
Contribution to capital spending			1,000		
Transfer to Reserves			5,398		
Closing balance for General Fund			(2,082)		

Adjustments between Funding and Accounting Basis 2023/24

Adjustments from General Reserves to arrive at the Comprehensive Income and Expenditure Statement amounts	2023/24			
	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	1,303	(180)	18	1,141
Corporate Policy and Resources	1,101	(120)	12	993
Economic Development	8	(9)	1	0
Environment & Sustainability	3	(61)	6	(52)
Neighbourhood Services	1,003	(245)	25	783
Regulatory Administrative Comm	105	(130)	13	(12)
Cost of Services	3,523	(745)	75	2,853
Other income and expenditure	0	0	157,571	157,571
	3,523	(745)	157,646	160,424

Adjustments between Funding and Accounting Basis 2022/23

Adjustments from General Reserves to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note i) £'000	2022/23 'Restated		Total £'000
		Net change for Pensions Adjustments (Note ii) £'000	Accumulated Absences (Note iii) £'000	
Community Wellbeing & Housing	2,200	532	6	2,332
Corporate Policy and Resources	170	353	4	527
Economic Development	8	26	0	34
Environment & Sustainability	3	198	2	203
Neighbourhood Services	213	826	10	1,049
Regulatory Administrative Comm	310	440	5	755
Cost of Services	2,904	2,375	27	4,900
Other income and expenditure	0	0	157,061	157,061
	2,904	2,375	157,088	161,961

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:

	2022/23 Restated £'000	2023/24 £'000
Expenditure		
Employees benefits expenses	21,378	22,903
Premises	14,591	24,066
Transport	1,033	1,058
Supplies & Services	8,222	7,765
Support Services	(3,453)	(7,842)
Third Parties	3,563	4,063
Transfer Payments	19,905	20,483
Capital Charges excluding interest paid	162,119	155,191
Interest Paid	25,657	24,952
Taxation	21,991	19,814
Total Expenditure	275,006	272,453
Income		
Sales	(1,459)	1,772
Charges use of facilities	(2,589)	(2,630)
Service Charges	212	(2,653)
Rents	(53,868)	(52,900)
Interest	(4,009)	(4,134)
Govn grants	(29,787)	(29,848)
Other grants, reimburse & con	(10,669)	(9,880)
Income Other Reimbursement	(300)	(247)
Council Tax & Business Rates income	(28,744)	(27,934)
Total Income	(131,213)	(128,454)
(Surplus) or Deficit on the Provision of Services	143,793	143,999

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 (Movement in Reserves Statement)	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	Capital Adjustment Account

		determined in accordance with the 2003 Regs	
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 to be met from Dedicated Schools Grant	Expenditure incurred up to the amount of the Grant receivable for 2022/23.	Dedicated Schools Grant Adjustment Account
Holiday Pay	Projected cost of untaken leave entitlements on 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 Code of Practice of Local Authority Accounting in the United Kingdom and will be adopted in 2024-25, where material:

The standards introduced include:

1. Amendments to IAS 1 Presentation of Financial Statements - implications for covenants on the non-current status of liabilities the first set of amendments clarify that the classification of liabilities as current or non-current should be based on rights to defer settlement by at least twelve months that are in existence at the end of the reporting period. The second set of amendments clarifies the impact that covenants might have on the current/non-current classification of a liability. Additional disclosures are required where non-current liabilities have conditionality relating to covenants.
2. International Tax Reform: Pillar Two Model Rules (Amendments to IAS 12 Income Taxes) The amendments add additional disclosures to those required by IAS 12 in relation to known or reasonably estimable information that helps users understand an entity's exposure to Pillar Two income taxes. Pillar Two is an OECD Framework under which multinational groups with consolidated revenue over €750m are subject to a minimum tax rate of 15% on income arising in low-tax jurisdictions. This will only be a matter for group accounts (if at all).
3. IAS 7 Statement of Cashflows and IFRS Financial Instruments Disclosures – These amendments add specific disclosure requirements to assist users in assessing how supplier finance arrangements affect an entity's finances and its exposure to liquidity risk. Supplier financing involves a funder paying a supplier when goods or services are delivered (net of a fee) and the buyer paying the funder when payment becomes due per the terms of the invoice.

3. Critical Judgement in applying Accounting Policies

In applying the accounting policies set out on in Note 1 above, 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:

- The Council has interests in other entities that fall within the group boundary of the Council on the grounds of control and significant influence in line with the Code. The Council's interests in Knowle Green Estates Ltd is material to the Council's overall financial position and therefore have been consolidated within the Council's group accounts.
- The Council holds a significant portfolio of investment properties, as set out in Note 13, where the focus is on maintaining revenue streams, rather than short-term capital growth and although the general economic activity is fragile, the Council judges that its portfolio in the context of the implications of the pandemic on the local economy is currently

robust, as reflected by achieving a 99.09% (2022-23: 98.9%) collection rate for rental invoiced in 2023-24, 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 current economic externalities.

- 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.

4. Prior Period Adjustments

There is no prior period adjustment accounted for in 2023/24. (In 2022/23 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 situations that are otherwise uncertain. Estimates are made using 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 2024 for which there is a significant risk of material adjustments in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results differ from Assumptions
Pension liability	Estimation of the net liability to pay pensions depends on several complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Surrey Pension Fund have engaged a firm of consulting actuaries who provide the Council with expert advice about the assumptions to be applied.	The effects on the net pension's liability of changes in individual assumptions can be measured. For example, a 1.0% decrease in the real discount rate assumption would result in an increase in the pension liability of £20.2m (2022-23: £18.1m). However, the assumptions interact in complex ways. A 1-year increase in member life expectancy would increase the liability by £4.7m (2022/23: £4.6m). Similarly, a 1.0%

		increase in the salary rate or in the pension increase rate would increase the liability by £0.9m (2022/23: £1.7m) and £19.7m (2022/23: £16.7m) 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 2024 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 £2.6m (2022/23: £1.6m) has been included in the accounts to reflect the Council's 40% (2022/23: 40%) share of the estimated impact of business rate payers successfully appealing the rateable value assigned to their properties.
Investment Properties	<p>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 2024, 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.</p> <p>Our investment property valuers Carter Jonas have not advised us of any material valuation uncertainties this year.</p>	The effect of a 1% change in the carrying value of investment properties would equate to a positive or negative change in the value by £6.0m (2022/23: £7.6m).
Property Plant & Equipment	<p>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.</p> <p>The periodic revaluation of Land and Building assets are subject to complex valuation techniques</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £195,000 for every year that useful lives had to be reduced.</p> <p>Of the total value of the Council's Operational Land & Buildings, £60.843m (2022/23: £0.495m) was revalued at 31 March 2024.</p>

	<p>undertaken by professional valuers based on certain assumptions at the time the valuations are undertaken which may change over the passage of time.</p> <p>Our operational property valuers Wilkes Head & Eves have not advised us of any material valuation uncertainties this year.</p>	<p>These values are material and the sources of estimation uncertainty as they require complex valuation techniques, use of indices, comparison with values of alternative sites etc. It is reasonably possible, based on existing knowledge, that outcomes within the next financial year may be based on different assumptions to the current year and could result in material adjustment to their carrying amount.</p>
Arrears	<p>Estimation of the impairment losses on debtors from all debtors.</p>	<p>At 31 March 2024, the Council had a balance of Short-Term Receivables of £8m (2022/23: £7.m) and has made a provision of £9m (2022/23: £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.</p>

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 £20.5m (2022/23: £20.2m). However, this expenditure is largely recovered by the receipt of subsidy from central Government, £20.3m (2022/23: £20.2m), so the net cost to the Council is minimal. In addition, a net £46.3m (2022/23: £52.6m) 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 2023/24 and the prior year 2022/23.

Adjustments between Accounting and Funding Basis under Regulations 2023/24	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	24			24	(24)
Financial instruments				0	
Council tax	430			430	(430)
Business rates	(6,446)			(6,446)	6,446
Holiday pay	(75)			(75)	75
Reversal of entries included in the (Surplus)/Deficit on the Provision of Services in relation to Capital Expenditure	(155,191)			(155,191)	155,191
Revenue Expenditure funded from Capital unders Statute	(1,223)		0	(1,223)	1,223
Capital Grants and Contributions Unapplied credited to the Comprehensive Income and Expenditure Statement	4,196		(4,196)	0	0
Capital Grants and Contributions received and applied for capital financing				0	0
Total Adjustments to Revenue Resources	(160,424)		(4,196)	(164,620)	164,620
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	0	(238)		(238)	238
Statutory provision for the repayment of debt	12,397			12,397	(12,397)
Capital expenditure financed from revenue balances	1,599			1,599	(1,599)
Total Adjustments between Revenue and	13,996	(238)	0	13,758	(13,758)
Adjustments to Capital Resources					
Use of the Capital Receipts Reserve to finance Capital Expenditure		0		0	0
Application of Capital Grants to finance Capital Expenditure			4,467	4,467	(4,467)
Cash payments in relation to Deferred Capital Receipts		(255)		(255)	255
Total Adjustments to Capital Resources	0	(255)	4,467	4,212	(4,212)
Total Adjustments	(146,428)	(493)	271	(146,650)	146,650

Adjustments between Accounting and Funding Basis under Regulations 2022/23 Restated	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			0	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 from Capital under Statute	(954)		0	(954)	954
Capital Grants and Contributions Unapplied credited to the Comprehensive Income and Expenditure Statement	1,049		(1,049)	0	0
Capital Grants and Contributions received and applied for capital financing				0	0
Total Adjustments to Revenue Resources	(163,352)		(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	985	(985)		0	0
Statutory provision for the repayment of debt	12,095			12,095	(12,095)
Capital expenditure financed from revenue balances	1,000			1,000	(1,000)
Total Adjustments between Revenue and	14,080	(985)	0	13,095	(13,095)
Adjustments to Capital Resources					
Use of the Capital Receipts Reserve to finance Capital Expenditure		321		321	(321)
Application of Capital Grants to finance Capital Expenditure			1,270	1,270	(1,270)
Cash payments in relation to Deferred Capital Receipts				0	
Total Adjustments to Capital Resources	0	321	1,270	1,591	(1,591)
Total Adjustments	(149,272)	(664)	221	(149,715)	149,715

8. Transfers to and from Earmarked Reserves

This note sets out the specific amounts as reserves for future policy purposes or to cover contingencies. Earmarked Reserves are created by appropriating amounts out of the General Fund Balances in the Movement in Reserves Statement.

Where expenditure has been incurred which is to be financed from an earmarked reserve, the expenditure is charged to the relevant service within the Surplus or Deficit on the Provision of

Services within the Comprehensive Income and Expenditure Statement. An amount is then transferred from the earmarked reserve to the General Fund Balance via an entry in the Movement in Reserves Statement. Figures in 2022/23 have been restated.

Earmarked Reserves	31 Mar 23	Transfers to Reserves	Used in revenue funding	Transfers between Reserves	31 Mar 24
	Restated				
	£'000	£'000	£'000	£'000	£'000
Revenue Grants unapplied	(5,374)	(1,771)	1,219	0	(5,926)
Capital Fund	(1,443)	0	0	0	(1,443)
Insurance Fund	(50)	0	0	0	(50)
Planned Spending Funds	(12,924)	(3,100)	649	0	(15,375)
Funds for acquired properties	(37,716)	(8,345)	11,023	0	(35,038)
Youth Fund	(20)	0	0	0	(20)
Local Environmental Assessment Fund	(154)	0	0	0	(154)
Green Belt	(900)	0	0	0	(900)
Harper & White House Accomodation Fund	(54)	(50)	0	0	(104)
Shared Prosperity Fund	(59)	0	59	0	0
Woodthorpe Rec&Fordbridge Park	(80)	0	0	0	(80)
Contributions from Developers	(9,996)	(1,402)	290	0	(11,108)
Earmarked Reserves 31st March	(68,770)	(14,668)	13,240	0	(70,198)
General Fund Balance	(2,083)	(1,000)	0	0	(3,083)
Balance carried forward 31st March	(70,853)	(15,668)	13,240	0	(73,281)

9. Financing and Investment Income and Expenditure

2022/23		Financing and Investment Income and Expenditure			2023/24		
Restated							
Expenditure	Income	Total		Expenditure	Income	Total	
£'000	£'000	£'000	Notes	£'000	£'000	£'000	
24,229	0	24,229	Interest payable and similar charges	24,231	0	24,231	
1,428	0	1,428	Net interest on the net defined benefit liability (asset)	721	0	721	
0	(4,009)	(4,009)	Interest receivable and similar income	0	(4,134)	(4,134)	
165,206	(52,564)	112,642	Income and expenditure in relation to investment property	162,570	(47,315)	115,255	
190,863	(56,573)	134,290	Financing and Investment Income and Expenditure	187,522	(51,449)	136,073	

10. Taxation and Non-Specific Grant Income

2022/23		Taxation and Non-Specific Grant Income			2023/24		
Restated							
Expenditure	Income	Total		Expenditure	Income	Total	
£'000	£'000	£'000	Notes	£'000	£'000	£'000	
117	(8,663)	(8,546)	Council Tax Income	100	(9,195)	(9,095)	
21,874	(20,080)	1,794	Non-domestic Rates Income and Expenditure	19,714	(18,740)	974	
0	(6,262)	(6,262)	Non-ringfenced government grants	0	(4,853)	(4,853)	
0	(1,049)	(1,049)	Capital Grants and Contributions	0	(4,196)	(4,196)	
21,991	(36,054)	(14,063)	Total Taxation and Non-Specific Grant Income	19,814	(36,984)	(17,170)	

11. Property, Plant and Equipment

Movement on Balances in 2023/24:

Property, Plant and Equipment	Land & Buildings	Vehicles, Plant, Furniture & Equipment	Community Assets	Right of Use Asset	Assets under Construction	Total Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000
<i>Cost or Valuation</i>						
At 1st April 2023	87,115	2,604	194	0	61,059	150,972
Adjustments	0	0	0	0	0	0
Additions	(51)	609	0	2,479	36,632	39,669
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(7,469)	0	0	0	0	(7,469)
Revaluation increases/(decreases) recognised in the (Surplus)/Deficit on the Provision of Services	0	0	0	0	0	0
De-recognition - other	0	0	0	0	(15)	(15)
Other movements in cost or valuation	0	0	0	0	0	0
At 31st March 2024	<u>79,595</u>	<u>3,213</u>	<u>194</u>	<u>2,479</u>	<u>97,676</u>	<u>183,157</u>
<i>Accumulated Depreciation and Impairment</i>						
At 1st April 2023	(1,112)	(594)	(7)	0	0	(1,713)
Depreciation charge	(1,517)	(414)	(7)	(341)	0	(2,279)
Depreciation written out to the Revaluation Reserve	4,731	0	0	0	0	4,731
Depreciation written out to the (Surplus)/Deficit on the Provision of Services	0	0	0	0	0	0
Other movements in depreciation and impairment	0	0	0	0	0	0
At 31st March 2024	<u>2,102</u>	<u>(1,008)</u>	<u>(14)</u>	<u>(341)</u>	<u>0</u>	<u>739</u>
<i>Net Book Value</i>						
At 31st March 2024	81,697	2,205	180	2,138	97,676	183,896
At 31st March 2023	86,003	2,010	187	0	61,059	149,259

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
Restated	£'000	£'000	£'000	£'000	£'000
Cost or Valuation					
At 1st April 2022	85,541	1,759	191	42,222	129,713
Adjustments				0	0
Additions	40	845	3	18,903	19,791
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(468)	0	0	0	(468)
Revaluation increases/(decreases) recognised in the (Surplus)/Deficit on the Provision of Services	937	0	0	0	937
De-recognition - other	0	0	0	0	0
Other movements in cost or valuation	1,064	0	0	(64)	1,000
At 31st March 2023	87,114	2,604	194	61,061	150,973
Accumulated Depreciation and Impairment					
At 1st April 2022	0	0	0	0	0
Depreciation charge	(2,125)	(594)	(7)	0	(2,726)
Depreciation written out to the Revaluation Reserve	970	0	0	0	970
Depreciation written out to the (Surplus)/Deficit on the Provision of Services	42	0	0	0	42
Other movements in depreciation and impairment	0	0	0	0	0
At 31st March 2023	(1,113)	(594)	(7)	0	(1,714)
Net Book Value					
At 31st March 2023	86,001	2,010	187	61,061	149,259
At 31st March 2022	85,541	1,759	191	42,222	129,713

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 £9.7m capital commitments outstanding as at 31 March 2024 (2022/23; £48.3m).

Effect of Changes in Estimates

In 2023/24 the Council made no material changes to its accounting estimates for property, plant, and equipment.

Revaluations

Increases in asset valuations are matched by credit entries to the revaluation reserves. Entries.

Whereas decreases in valuations are accounted for as follows:

1. 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 the balance, up to the amount of the accumulated gains.
2. 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 & Expenditure Statement.

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 (Limited Liability Partnership), 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:

2022/23 £'000	Heritage Assets	2023/24 £'000
	<i>Balance at 1st April</i>	
245	Balance at 1st April	232
0	Revaluation increases/(decreases) recognised in the Revaluation Reserve	0
245	Balance at 31st March	232
	<i>Accumulated Depreciation and Impairment</i>	
(30)	Depreciation at 1st April	(23)
(6)	Depreciation	(6)
0	Depreciation written out to the Revaluation Reserve	0
(36)	Balance at 31st March	(29)
	<i>Net Book Value</i>	
209	Balance at 31st March	203

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:

2022/23 £'000		2023/24 £'000
(52,564)	Rental income from properties	(47,315)
5,037	Net Operating income/expenses	9,695
160,169	Changes in valuations	152,876
112,642	Balance at 31st March	115,255

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:

2022/23 £'000	Investment Property	2023/24 £'000
916,375	Balance at 1st April	755,205
0	Additions	0
(160,169)	Net gains/losses from fair value adjustments	(152,875)
(1,000)	Transfers	0
<u>755,206</u>	Balance at 31st March	<u>602,330</u>

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)

2022/23 £'000	Fair value measurement	2023/24 £'000
459,312	Land	360,866
295,894	Buildings	241,464
<u>755,206</u>	Balance at 31st March	<u>602,330</u>

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.

2022/23 £'000	Intangible Assets	2023/24 £'000
336	Balance at 1st April	365
227	Additions	218
<u>563</u>	Balance at 31st March	<u>583</u>
	<i>Accumulated Amortisation</i>	
(198)	Amortisation written out to the (Surplus)/Deficit on the Provision of Services	(15)
<u>(198)</u>	Balance at 31st March	<u>(15)</u>
	<i>Net Book Value</i>	
<u>365</u>	Balance at 31st March	<u>568</u>

15. Financial Instruments

Financial Instruments – Balances

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

Long-term 31 Mar 23 £'000	Short-term 31 Mar 23 £'000	Financial Liabilities	Long-term 31 Mar 24 £'000	Short-term 31 Mar 24 £'000
		<i>Loans at amortised cost:</i>		
1,069,846	25,629	Principal sum borrowed	1,054,191	30,563
	9,584	Accrued Interest		3,314
<u>1,069,846</u>	<u>35,213</u>	Total borrowing *	<u>1,054,191</u>	<u>33,877</u>
		<i>Liabilities at amortised cost:</i>		
	4,639	Trade Payables **		7,416
	<u>4,639</u>	Total cash and cash equivalents		<u>7,416</u>

* 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 £31,886k (2022/23: £45,523k) 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 31 Mar 23 £'000	Short-term 31 Mar 23 £'000	Financial Assets	Long-term 31 Mar 24 £'000	Short-term 31 Mar 24 £'000
		<i>At amortised cost:</i>		
30,960	45,098	Principal	29,044	29,044
-	150	Accrued Interest	-	6
		<i>At FVOCI:</i>		
4,697	-	Equity instruments elected FVOCI	3,212	-
35,657	45,248	Total investments *	32,256	29,038
		<i>At amortised cost:</i>		
-	1,127	Principal	-	2,862
	15,916	<i>At FVPL</i>		1,528
	14,789	Total cash and cash equivalents	-	1,334
		<i>At amortised cost:</i>		
-	4,633	Trade receivables **	-	4,540
-	-	Loans made for service purposes	-	-
-	336	Accrued interest	-	384
-	4,969	Included in debtors	-	4,924

* 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 £3,129k (2022/23: £2,411k) 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 23		Pooled Investment Fund	31 Mar 24	
Fair value £'000	Dividends £'000		Fair value £'000	Dividends £'000
716	28	Charteris Elite Premium Income Fund	730	12
5,189	322	Schroders Income Maximiser Fund Class L	5,215	287
1,501	106	Schroders UK Corporate Bond Fund	1,555	157
1,578	71	M&G Optimal Income Fund - PP - Inc	1,625	42
6,133	197	M&G Global Dividend Fund - PP - Inc	6,454	185
1,820	76	M&G UK Income Distribution	1,790	35
3,951	191	Ninety One Diversified Income Fund - J - Inc	3,904	151
3,845	136	CT UK Equity Fund - L - Inc	3,983	119
1,816	40	CT Global Equity Fund - L - Inc (FKA Threadneedle Global Equity Fund)	1,717	48
1,926	83	CCLA LAMIT Property Fund - Inc	1,831	72
1,099	47	CCLA LAMIT Property Fund - Inc	1,045	41
1,159	77	UBS Multi-Asset Income Fund - L - Inc	1,159	80
2,650	154	Aegon Diversified Monthly Income Fund - B - Inc	2,776	160
33,383	1,528		33,783	1,388

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:

2022/23 Total	Gains and Losses	Financial Liabilities at Amortised Cost	Financial Assets				2023/24
			Amortised Cost	Fair Value through OCI	Elected to Fair Value through OCI	Fair Value through Profit & Loss	
£'000		£'000	£'000	£'000	£'000	£'000	£'000
25,657	Interest expense	24,096					24,096
18,529	Fees paid	255					255
44,186	Interest payable and similar charges	24,351					24,351
(4,009)	Interest income		(4,130)				(4,130)
336	Dividend income					1,388	1,388
(3,673)	Interest and investment income	0	(4,130)			1,388	(2,742)
40,513	Net impact on surplus/ deficit on provision of services	24,351	(4,130)			1,388	21,609
(2,169)	Gains on revaluation				1,768		
(2,169)	Loss on Revaluation						
(2,169)	Impact on Other Comprehensive Income				1,768		1,768
38,344	Net Gain/ Loss for the Year	24,351	(4,130)		1,768	1,388	23,377

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 2024, 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 Mar 23 £'000	Fair value 31 Mar 23 £'000	FV - Financial Liabilities	Fair value level	Balance sheet 31 Mar 24 £'000	Fair value 31 Mar 24 £'000
<i>Financial liabilities held at amortised cost:</i>					
1,053,820	0	Long-term loans from PWLB	2	1,054,191	0
0	0	Other long-term loans	2	0	0
1,053,820	0	TOTAL		1,054,191	0
101,298		Liabilities for which fair value is not disclosed*		37,979	
1,162,456		TOTAL FINANCIAL LIABILITIES		1,092,170	
<i>Recorded on balance sheet as:</i>					
35,213		Short-term borrowing		30,563	
1,069,846		Long-term borrowing		1,054,191	
50,059		Short-term payables		7,416	
1,162,456				1,092,170	

* 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 Mar 23 £'000	Fair value 31 Mar 23 £'000	FV - Financial Assets	Fair value level	Balance sheet 31 Mar 24 £'000	Fair value 31 Mar 24 £'000
<i>Financial assets held at fair value:</i>					
13,210		Money market funds	1	1,528	
35,552		Strategic pooled funds	1	33,783	
<i>Financial assets held at amortised cost:</i>					
29,839	29,134	Long-term loans to companies	2	28,144	28,190
78,601	77,896	TOTAL		63,455	63,501
68,566		Assets for which fair value is not disclosed*		-57,031	
147,167		TOTAL FINANCIAL ASSETS		6,424	
<i>Recorded on balance sheet as:</i>					
40,477		Short-term investments		-29,038	
35,870		Long-term investments		32,256	
52,953		Cash and cash equivalents		-1,334	
17,867		Short-term receivables		4,540	
147,167				6,424	

* 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 23 £'000	Short-term 31 Mar 23 £'000	Credit Risk	Long-term 31 Mar 24 £'000	Short-term 31 Mar 24 £'000
		Credit Rating		
0	5,000	A	0	0
0	0	A-	0	0
30,960	1,098	BBB+	28,144	1,582
0	39,000	Unrated local authorities	16.1	5,000
30,960	45,098	Total	28,160	6,582
35,657	15,916	Credit risk is not applicable *	36,422	1,528
66,617	61,014	Total investments	64,581	8,110

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-23 £'000	Credit for customers	31-Mar-24 £'000
1,844	Less than three months	1,588
380	Three to six months	1,829
834	Six months to one year	484
430	More than one year	449
3,488	Total	4,349

As at 31 March 2024, £2.227m (2022/23: equivalent: £1.033m) 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 2023/24.

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 23 £'000	31 Mar 24 £'000
Decrease in Fair Value of investments held at FVPL	(6)	(3)
Increase in interest receivable on investments	369	2
Increase in interest payable on variable rate borrowing	564	
Impact on Surplus or Deficit on the Provision of Services	363	(1)
Decrease in Fair Value of investments held at FVOCI	(304)	(304)
Impact on Comprehensive Income and Expenditure	59	(305)
Decrease in Fair Value of loans and investments held at amortised cost*	(934)	(1,031)
Decrease in Fair Value of fixed rate borrowing*	(90,603)	(88,706)

*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

2022/23 £'000	Short term receivables	2023/24 £'000
12,761	General receivables	14,880
1,648	Payments in advance	2,361
(7,029)	Provisions for impairment	(9,193)
7,380	Balance at 31st March	8,048

17. Cash and Cash Equivalents

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

2022/23 £'000	Cash & cash equivalents	2023/24 £'000
5	Cash held	5
(1,132)	Bank accounts	2,844
45,017	Cash Equivalents	6,941
43,890	Balance at 31st March	9,790

18. Assets Held for Sale

There are currently no properties classified as held for sale.

19. Payables

2022/23	Short term payables	2023/24
£'000		£'000
(32,715)	General payables	(21,789)
(15,381)	Receipts in advance	(12,323)
(2,363)	Deposits	(2,413)
<u>(50,460)</u>	Balance at 31st March	<u>(36,525)</u>

20. Provisions

2022/23	Short term provisions	2023/24
£'000		£'000
(200)	Municipal Mutual Insurance	(200)
(982)	Business Rates Appeals	(800)
(182)	Expected Credit Loss	(221)
0	Longford Housing	(13)
<u>(1,364)</u>	Balance at 31st March	<u>(1,234)</u>

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

2022/23	Unusable Reserves	2023/24
£'000		£'000
(27,754)	Revaluation Reserve	(25,016)
(1,083)	Financial Instruments Revaluation Reserve	(2,851)
249,616	Capital Adjustment Account	387,567
(30,140)	Deferred Capital Receipts Reserve	(27,509)
15,682	Pension Reserve	6,151
(2,861)	Collection Fund Adjustment Account	3,155
331	Accumulated Absences Account	405
<u>203,791</u>	Balance at 31st March	<u>341,902</u>

Revaluation Reserve

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

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

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

2022/23 £'000	Revaluation Reserve	2023/24 £'000
(27,851)	Balance at 1st April	(27,754)
468	Changes in valuations	7,469
(970)	Depreciation written down on revaluation	(4,731)
599	Difference between fair value and historic cost depreciation	0
<u>(27,754)</u>	Balance at 31st March	<u>(25,016)</u>

Financial Instruments Revaluation Reserve

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

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

2022/23 £'000	Financial Instruments Revaluation Reserve	2023/24 £'000
(3,252)	Balance at 1st April	(1,083)
2,169	Revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	(1,768)
<u>(1,083)</u>	Balance at 31st March	<u>(2,851)</u>

Capital Adjustment Account

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

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

2022/23 £'000	Capital Adjustment Account	2023/24 £'000
101,825	Balance at 1st April	249,616
	<i>Reversal of items relating to capital debited or credited to the Comprehensive Income and Expenditure Statement</i>	
2,930	Charges for depreciation and amortisation of non-current assets	2,301
(937)	Changes in the valuation of Property, Plant and Equipment	0
160,169	Changes in the valuation of Investment Property	152,876
(43)	Amounts of non-current assets written off on disposal, derecognition or sale as part of the Gain or Loss on disposal	14
162,119	<i>Total of amount of items reversed</i>	155,191
(598)	Adjusting amounts written off of the Revaluation Reserve	0
954	Revenue Expenditure funded from Capital under Statute	1,223
	<i>Capital financing applied in the year</i>	
(321)	Use of Capital Receipts Reserve to finance new capital expenditure	0
(1,268)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(4,467)
(1,000)	Capital Expenditure charged against the General Fund Balance	(1,599)
(12,095)	Minimum revenue provision	(12,397)
(14,684)	<i>Total of amount of capital financing</i>	(18,463)
249,616	Balance at 31st March	387,567

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.

2022/23 £'000	Deferred Capital Receipts Reserve	2023/24 £'000
(30,543)	Balance at 1st April	(30,140)
	Loans to KGE in respect of assets transferred	2,376
403	Proceeds from sales	255
(30,140)	Balance at 31st March	(27,509)

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.

2022/23 £'000	Pension Reserve	2023/24 £'000
48,433	Balance at 1st April	15,682
(36,552)	Remeasurement of net defined benefits liabilities/(assets)	(9,507)
3,801	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	(24)
15,682	Balance at 31st March	6,151

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.

2022/23 £'000	Collection Fund Adjustment Account	2023/24 £'000
(359)	Balance at 1st April	(2,861)
(114)	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	(430)
(2,388)	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	6,446
(2,861)	Balance at 31st March	3,155

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 2024. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2022/23 £'000	Accumulated Absences	2023/24 £'000
302	Balance at 1st April	331
29	Adjustment in-year	74
331	Balance at 31st March	405

22. Statement of Cash Flows – Operating Activities

The cash flows for operating activities include the following items:

2022/23 £'000	Operating Activities - interest	2023/24 £'000
(2,407)	Interest received	(2,478)
25,166	Interest paid	25,359
(1,515)	Dividends received	(1,639)

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

2022/23 £'000	Operating Activities - non-cash movements	2023/24 £'000
(162,119)	Items relating to capital	(155,191)
9,442	Other non-cash items charged to the net (Surplus)/Deficit on the Provision of Services	12,759
<u>(152,677)</u>		<u>(142,432)</u>

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

2022/23 £'000	Operating Activities - investing or financing items	2023/24 £'000
	Proceeds from short-term (not to be considered cash equivalents) and long-term investments (including investments in associates, joint ventures and subsidiaries)	
(985)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(238)
(1,049)	Other items for which the cash effects are investing or financing cash flows	(4,195)
<u>(2,034)</u>		<u>(4,433)</u>

23. Statement of Cash Flows – Investing Activities

2022/23 £'000	Investing Activities	2023/24 £'000
20,018	Purchase of property, plant and equipment, investment property and intangible assets	39,887
606,649	Purchase of short-term and long-term investments	397,594
0	Other payments for investing activities	0
0	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	0
(631,754)	Proceeds from short-term and long-term investments	(412,872)
0	Other receipts from investing activities	(4,434)
<u>(5,087)</u>		<u>20,175</u>

24. Statement of Cash Flows – Financing Activities

2022/23 £'000	Financing Activities	2023/24 £'000
(32,500)	Cash receipts of short- and long-term borrowing	(43,000)
(12)	Other receipts from financing activities	(2,797)
55,947	Repayments of short- and long-term borrowing	53,721
<u>23,435</u>		<u>7,924</u>

25. Members Allowances

The Council paid £370K (2022/23: £365K) to members of the Council during the year.

26. Senior Officers' Remuneration

The Council paid to its senior officers £513,608 (including pensions contributions) during the year.

Senior Employees			2023/24
Title	Pay, fees and allowances £	Pension contributions £	Total £
Chief Executive	144,363	23,780	168,144
Deputy Chief Executive & Chief Financial Officer	106,542	19,331	125,872
Deputy Chief Executive	101,901	18,465	120,366
Head of Corporate Governance	84,317	14,909	99,226

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:

2022/23 no	Remuneration banding £		2023/24 no
3	80,000	84,999	7
1	75,000	79,999	0
3	70,000	74,999	4
2	65,000	69,999	1
4	60,000	64,999	7
6	55,000	59,999	9
15	50,000	54,999	18
<u>34</u>			<u>46</u>

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

Exit packages per cost band (including special paymmts)		Number of compulsory redundancies		Number of other departures agreed		Number of exit packages by cost band		Total cost of exit packages in each band	
£	£	2022/23 <i>no</i>	2023/24 <i>no</i>	2022/23 <i>no</i>	2023/24 <i>no</i>	2022/23 <i>no</i>	2023/24 <i>no</i>	2022/23 £	2023/24 £
20,001	40,000			1					
1	20,000				1			16,581	6,967
		<u>0</u>	<u>0</u>	<u>1</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>16,581</u>	<u>6,967</u>

There was no compulsory redundancy during the year (2022/23 - 0) 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. The External Audit in 2022/23 was undertaken by BDO, with the 2023/24 Audit being provided by Grant Thornton.

2022/23 £'000	External Audit Costs	2023/24 £'000
38	Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year.	216
7	Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year.	7
<u>45</u>	Total for the year	<u>223</u>

An additional fee of £3k is payable to expert valuer of Grant Thornton for undertaking review of the valuer report which is not covered in the above audit fees.

28. Grant Income

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2023/24:

2022/23 £'000	Grant income	2023/24 £'000
	<i>Credited to Services</i>	
(3,955)	Grants and contributions	(5,219)
<u>(19,493)</u>	Benefit Subsidy	<u>(19,653)</u>
<u>(23,449)</u>	Total Credited to Services	<u>(24,872)</u>
	<i>Taxation and Non-specific grant income</i>	
(6,262)	Non-ringfenced grants and contributions	(4,854)
<u>(1,049)</u>	Capital grants and contributions	<u>(4,196)</u>
<u>(7,312)</u>	Total Taxation and Non-specific Grant Income	<u>(9,050)</u>

29. Related Parties

Under the Code of Practice for Local Authority Accounting, the Council is required to disclose any material transactions with related parties – bodies or individuals, which are not disclosed elsewhere. Examples of related parties to Spelthorne Borough Council include central government, other local

Councils, precepting bodies, joint ventures, joint venture partnerships, together with Council Members and Senior Officers, that have the potential to control or influence the Council or to be controlled or influenced by the Council.

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

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

During 2023/24 the Council awarded 25 grant payments amounting to £68,194 (2022/23: £32,904).

In all instances, the grants were made with proper consideration of interest, with the relevant Member not taking part in the discussion or decision relating to the grants.

Senior officers also have the ability to influence the Council and during 2023/24 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 2023/24, 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 2023/24:

- 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:

2022/23 £'000	Capital Expenditure and Financing	2023/24 £'000
1,128,532	Opening Capital Financing Requirement	1,134,820
0	<i>Capital Investment</i>	0
19,791	Property, Plant and Equipment	39,669
	Heritage Assets	
0	Investment Property	0
227	Intangible Assets	218
954	Revenue Expenditure funded from Capital under Statute Loans to Knowle Green Estates Limited	1,223
<u>20,972</u>	<i>Total Capital Investment</i>	<u>41,110</u>
	<i>Sources of Finance</i>	
(321)	Capital Receipts	0
(1,268)	Capital Grants and Contributions	(4,467)
(1,000)	Revenue Contributions	(1,599)
(12,095)	Repayment of Debt	(12,397)
<u>(14,684)</u>	<i>Total Sources of Finance</i>	<u>(18,463)</u>
<u>1,134,820</u>	Closing Capital Financing Requirement	<u>1,157,467</u>

31. Leases

Council as Lessee

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

31 Mar 23 £'000	Council as Lessee	31 Mar 24 £'000
144	Not later than one year	811
6	Later than one year and not later than five years	3,477
0	Later than five years	107
<u>150</u>	Balance at 31st March	<u>4,395</u>

Council as Lessor

Operating Leases

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

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

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

31 Mar 23 £'000	Council as Lessor	31 Mar 24 £'000
46,201	Not later than one year	48,283
155,229	Later than one year and not later than five years	162,399
182,355	Later than five years	208,873
<u>383,785</u>	Balance at 31st March	<u>419,555</u>

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

2022/23 £'000	IAS19 CI&ES & MiRS	2023/24 £'000
Comprehensive Income & Expenditure Statement		
Cost of Services:		
5,743	Current service cost	3,348
0	Past service cost	0
Financing & Investment Income & Expenditure:		
1,428	Net interest expense	721
7,171	Total post-employment benefits charged to the (Surplus)/Deficit on the provision of services	4,069
Other Comprehensive Income & Expenditure		
4,125	Return of plan assets	(7,204)
(51,671)	Actuarial gains & losses arising on changes in assumptions	(682)
(980)	Changes in demographic assumptions	(5,199)
8,645	Other remeasurement of defined liability	3,713
<u>(32,710)</u>	Total post-employment benefits charged to CI&ES	<u>(5,303)</u>
Movement in Reserves Statement		
(7,171)	Reversal of new charges made to the (Surplus)/Deficit on the Provision of Services for post-employment benefits in accordance with the code	(4,069)
	Actual amount charged against the General Fund Balance for pensions in-year	
3,370	Employer's contribution to the scheme	4,093

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 23 £'000	Net liability	31 Mar 24 £'000
100,389	Fair value of plan assets	111,572
(116,071)	Present value of the defined benefit obligation	(117,723)
<u>(15,682)</u>	Net liability arising from defined benefit obligation	<u>(6,151)</u>

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

2022/23 £'000	Scheme assets	2023/24 £'000
102,072	Opening fair value of scheme assets	100,389
2,750	Interest income	4,750
	Remeasurement gain/loss:	
(4,125)	Return on plan assets, excluding the amount included in net interest expense	7,204
3,174	Contribution from employer	3,908
851	Contribution from employees into the scheme	991
	Other experience	
(4,333)	Benefits paid	(5,670)
<u>100,389</u>	Closing fair value of scheme assets	<u>111,572</u>

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

2022/23 £'000	Scheme liabilities	2023/24 £'000
(153,834)	Opening value of scheme liabilities	(115,936)
(5,743)	Current service cost	(3,348)
0	Past Service cost	0
(4,179)	Interest cost	(5,471)
4,333	Benefits paid	5,670
(851)	Contributions from scheme participants	(991)
172	Liabilities assumed on entity combinations	185
52,671	Changes in demographic/financial assumptions	5,881
(8,505)	Other changes in liabilities	(3,713)
<u>(115,936)</u>	Closing value of scheme liabilities	<u>(117,723)</u>

The above values for 2022-23 have been restated based on Actuary Statement for the year ended 31 March 2024.

Local Government Pension Scheme assets comprised:

31 Mar 23 £'000	Asset category	31 Mar 24 £'000
	Equity securities	
1,576.4	Consumer	1,470.3
1,316.1	Manufacturing	1,780.2
504.8	Energy and utilities	0.0
1,785.1	Financial institutions	1,477.0
1,561.3	Health and care	1,518.6
2,211.3	Information technology	2,676.0
0.0	Other	0.0
	Debt securities	
	Corporate bonds (investment grade)	
	Corporate bonds (non-investment grade)	
0.0	Government	0.0
	Other	
	Private equity	
14,216.6	All	17,076.7
	Real estate	
3,692.1	UK property	3,526.4
2,357.3	Overseas property	1,953.3
	Investment Funds and Unit Trusts	
58,464.4	Equities	62,171.4
10,869.4	Bonds	16,260.1
	Other	
	Derivatives	
	Interest rate	
(267.6)	Foreign exchange	(63.7)
	Cash & cash equivalents	
2,101.8	All	1,725.7
<u>100,389</u>	Total assets	<u>111,572</u>

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 (Limited Liability Partnership) 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:

2022/23	Principal assumptions	2023/24
%		%
	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	
21.9	- Men	21.8
24.7	- Women	24.5
	Longevity at 65 for future pensioners	
22.6	- Men	22.4
26.1	- Women	25.9
	Other assumptions	
2.5	Rate of inflation (Consumer Price Index)	2.5
4.0	Rate of increase in salaries	3.8
3.0	Rate of increase in pensions	2.8
4.8	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.

	%	Increase in assumption £'000	Decrease in assumption £'000
Rate of increases in salaries	0.1	89	
Rate of increases in pensions	0.1	1,969	
Decrease in rate for discounting scheme liabilities	0.1		2,023

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 anticipates paying £4.272m expected contributions to the scheme in 2024/25 (2023/24: 3.5m).

The weighted average duration of the defined benefit obligation for scheme members is 16 years for 2023/24 (2022/23: 23.6 years).

34. Contingent Liabilities

Mortgage guarantees on shared ownership properties which will only occur if the mortgagee's default on payment and any charge to the Council will be accounted for at that time. No specific provision has been made in the accounts for this and this was the same for 2022/23.

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 2022/23.

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 2024 indicate a total comprehensive expenditure for the year of (£433k) (2022/2: £1,233k total comprehensive income) after tax, this was due to an unchanged property value in the year, (2022/23: £2,130k increase in property valuations) 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 £1,214k (2022/23: £1,140k).

Spelthorne Direct Service Limited

FINANCIAL PERFORMANCE

The company is moving forward in a positive direction and continues to grow and has seen the client base rise significantly, including obtaining a prestigious contract with a private estate. Turnover for the year was £580k (2022/23: £374k).

Draft unaudited accounts for the year ending 31 March 2024 indicate a profit for the year of £55k (2022/23: £35k profit).

37. Post Balance Sheet Events

The Statement of Accounts was authorised for issue by the Director of Finance and Deputy Chief Executive on 31 May 2024. 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 2024, 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
2022/23		2023/24	2023/24	2023/24
£'000		£'000	£'000	£'000
	Income			
(82,668)	Council tax receivable		(90,668)	(90,668)
(44,856)	Business rates receivable	(46,805)		(46,805)
(126)	Transitional protection	(4,219)		(4,219)
(3)	Government grant		0	0
	Contribution received based on Deficit			
(4,063)	Spelthorne Borough Council	0	(100)	(100)
(2,022)	Surrey County Council	0	(1,895)	(1,895)
(177)	Surrey Police & Crime Commissioner	0	(339)	(340)
(5,079)	Central Government	0		0
	Demand, precepts and shares			
26,241	Spelthorne Borough Council	21,397	8,765	30,161
68,214	Surrey County Council	5,349	66,918	72,267
11,593	Surrey Police & Crime Commissioner		12,407	12,407
22,115	Central Government	26,746		26,746
	Contributions based on Collection Fund Surpluses			
(117)	Spelthorne Borough Council			
0	Surrey County Council			
0	Surrey Police & Crime Commissioner			
0	Central Government			
0	Charges to the Collection Fund			
31	Write-offs	0	0	0
2,019	Increase/(decrease) in Bad Debt Provision	1,433	873	2,306
1,641	Increase/(decrease) in Provision for Appeals	2,620		2,620
120	Cost of Collection	122		122
<u>(7,137)</u>	(Surplus)/Deficit arising during the year	<u>6,644</u>	<u>(4,038)</u>	<u>2,602</u>
	Movement on the Collection Fund			
(1,788)	(Surplus)/Deficit brought forward	(6,555)	(2,364)	(8,920)
(7,132)	(Surplus)/Deficit arising during the year	16,115	(4,038)	12,077
<u>(8,920)</u>	(Surplus)/Deficit carried forward	<u>9,560</u>	<u>(6,403)</u>	<u>3,157</u>

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 2023 was:

Valuation band	Number of dwellings on Valuation List	Number of chargeable dwellings	Ratio to band D	Band D equivalents
A-	0	1	5/9	1
A	366.0	311	6/9	207
B	1,458.0	1,182	7/9	919
C	8,451.0	7,278	8/9	6,469
D	13,718.0	12,721	9/9	12,722
E	9,313.0	9,045	11/9	11,056
F	4,332.0	4,276	13/9	6,176
G	2,039.0	2,030	15/9	3,383
H	106.0	106	18/9	212
Total	39,783.0	36,950		41,145
	Number of band D equivalents in lieu			40
	Allowance for losses on collection and appeals		3.00%	(1,236)
	Council Taxbase for 2023/24			39,949

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 2024 was £128,776,948 (2022/23: £111,700,570) and the national non-domestic rate multiplier for 2023/24 was £0.511 and £0.499 for small businesses (2022/23 was £0.511 and £0.499)

41. Group Accounts

Introduction

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

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

- *Knowle Green Estates Limited (KGE) - The purpose of the company is to enable the long term management of a portfolio of affordable, temporary, key worker and private rental accommodation and support the tenants residing in those homes.*
- *Spelthorne Direct Services (SDS), The purpose of the company is the collection, treatment and disposal of non-hazardous waste.*

Basis of consolidation

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

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

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

Group Comprehensive Income & Expenditure Statement

2022/23		Group CI&ES		2023/24		
Expenditure	Income	Total		Expenditure	Income	Total
£'000	£'000	£'000	Notes	£'000	£'000	£'000
34,002	(27,628)	6,374	Community Wellbeing & Housing	35,830	(30,368)	5,462
7,945	(4,069)	3,876	Corporate Policy and Resources	9,399	(4,128)	5,271
576	(656)	(80)	Economic Development	781	(633)	148
2,071	(620)	1,451	Environment & Sustainability	2,204	(851)	1,353
10,725	(4,276)	6,449	Neighbourhood Services	11,764	(4,954)	6,809
9,355	(1,857)	7,498	Regulatory Administrative Comm	7,756	(3,019)	4,737
64,674	(39,107)	25,568	Cost of Services	67,734	(43,954)	23,780
0	(985)	(985)	Other Operating Income & Expenditure	15	2,139	2,154
190,863	(56,573)	134,290	Financing & Investment Income & Expenditure	187,522	(51,449)	136,073
21,991	(36,231)	(14,220)	Taxation & Non-specific Grant Income	19,814	(36,984)	(17,170)
277,528	(132,895)	144,654	(Surplus)/Deficit on the Provision of Services	275,085	(130,248)	144,837
		(2,632)	(Surplus)/Deficit on revaluation of Property, Plant & Equipment			2,278
		0	Impairment Losses on non-current assets charged to the Revaluation			0
		2,169	(Surplus)/Deficit from investments in equity instruments designated at fair value through other comprehensive income			(1,768)
		(36,552)	Remeasurement of the the defined net defined benefit liability/(asset)			(9,507)
			Tax loss on Company loss			
		(37,015)	Other Comprehensive Income & Expenditure			(8,997)
		107,639	Total Comprehensive Income & Expenditure			135,840

Group Movement in Reserves Statement

Group Movement in Reserves Statement	General Reserves	Capital Receipts Reserves	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Group Reserves
2023/24	£'000	£'000	£'000	£'000	£'000	£'000
Balance brought forward 1st April	(69,860)	(1,535)	(1,777)	(73,172)	198,341	125,169
Movements in-year						
Total Comprehensive Income & Expenditure	143,999			143,999	(8,537)	135,462
Adjustments between KGE & SDS	838			838	(460)	378
Net before adjustments	144,837	0	0	144,837	(8,997)	135,840
Adjustments between accounting & funding basis under regulations	(146,427)	(492)	271	(146,648)	146,648	0
(Increase)/Decrease in-year	(1,590)	(492)	271	(1,811)	137,651	135,840
Balance carried forward 31st March	(71,451)	(2,027)	(1,506)	(74,985)	335,992	261,007

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

Group Balance Sheet

31 Mar 23	Group Balance Sheet	Notes	31 Mar 24
£'000			£'000
185,094	Property, Plant & Equipment		219,668
209	Heritage Assets		203
755,206	Investment Property		602,330
365	Intangible Assets		568
4,938	Long-term Investments		5,574
31,474	Long-term Receivables		28,677
<u>977,286</u>	Long-term Assets		<u>857,020</u>
15,291	Short-term Investments		384
28	Inventories		20
8,710	Short-term Receivables		7,476
44,030	Cash & Cash Equivalents		9,940
<u>68,059</u>	Current Assets		<u>17,820</u>
(30,238)	Short-term Borrowing		(33,877)
(53,047)	Short-term Payables		(36,790)
(1,364)	Short-term Provisions		(1,234)
0	Short-term Liabilities		(304)
<u>(84,649)</u>	Current Liabilities		<u>(72,205)</u>
(1,430)	Long-term Provisions		(1,430)
(1,068,754)	Long-term Borrowing		(1,054,191)
<u>(15,682)</u>	Other Long-term Liabilities		<u>(8,022)</u>
<u>(1,085,866)</u>	Long-term Liabilities		<u>(1,063,643)</u>
(125,169)	Net Assets		(261,007)
(73,172)	Usable Reserves		(74,985)
198,341	Unusable Reserves		335,992
<u>125,169</u>	Total Reserves		<u>261,007</u>

Group Cash Flow Statement

2022/23	Group Cash Flow Statement	Notes	84
£'000			2023/24
144,654	Net (Surplus)/Deficit on the Provision of Services		144,378
(154,724)	Adjustments to net (surplus)/deficit on the Provision of Services for non-cash movements		(143,068)
2,615	Adjustments to net (surplus)/deficit on the Provision of Services that are Investing and Financing Activities		5,415
<u>(7,455)</u>	Net Cash Flow from Operating Activities		<u>6,725</u>
(7,568)	Investing Activities		19,441
24,179	Financing Activities		7,924
<u>9,156</u>	Net (increase)/decrease in Cash & Cash Equivalents		<u>34,091</u>
53,186	Cash & Cash Equivalents at the beginning of the reporting period		44,030
<u>(9,156)</u>	Net increase/(decrease) in Cash & Cash Equivalents		<u>(34,091)</u>
<u>44,030</u>	Cash & Cash Equivalents at the end of the reporting period		<u>9,940</u>

Group Accounting policies.

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

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

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

1.1 Additional policies for Group Accounts

1.1.1 Taxation

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

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

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

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

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

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

Glossary of terms

AAA RATING

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

AA RATING

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

A RATING

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

ACCOUNTING PERIOD

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

ACCOUNTING POLICIES

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

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

Accounting policies do not include estimation techniques.

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

ACCRUALS

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

ACTUARIAL GAINS AND LOSSES

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

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

ASSET

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

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

AUDIT OF ACCOUNTS

An independent examination of the Authority's financial affairs.

BALANCE SHEET

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

BORROWING

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

BUDGET

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

CAPITAL EXPENDITURE

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

CAPITAL FINANCING

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

CAPITAL PROGRAMME

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

CAPITAL RECEIPT

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

CIPFA

The Chartered Institute of Public Finance and Accountancy

CODE

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

COLLECTION FUND

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

COMMUNITY ASSETS

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

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

CONSISTENCY

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

CONTINGENT ASSET

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

CONTINGENT LIABILITY

A contingent liability is either:

- A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control; or
- A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

CORPORATE AND DEMOCRATIC CORE

The corporate and democratic core comprises all activities that local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities is 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 fewer 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.