



# Spelthorne Borough Council

Audited Final Statement of Accounts 2024-25



# Contents

|  |    |   |    |  |     |
|--|----|---|----|--|-----|
| Contents .....                         | 2  | Note 6 Events After Reporting Date.....   | 61 | Note 24 Provisions .....                   | 93  |
| Narrative Report .....                 | 3  | Note 7 Expenditure and Funding Analysis   | 62 | Note 25 Usable Reserves.....               | 95  |
| Local Government Reorganisation (LGR)  |    | Note 7.1 Expenditure and Funding Analysis |    | Note 26 Unusable Reserves.....             | 97  |
| in Surrey .....                        | 17 | Reconciliation .....                      | 64 | Note 27 Cash Flow Statement – Operating    |     |
| Best Value Inspection .....            | 18 | Note 7.2 Expenditure and Income           |    | Activities .....                           | 103 |
| Commissioners - Best Value             |    | Analysed by Nature .....                  | 66 | Note 28 Cash Flow Statement – Investing    |     |
| Intervention.....                      | 19 | Note 8 Adjustments between Accounting     |    | Activities .....                           | 104 |
| Statement of Responsibilities for the  |    | Basis and Funding Basis under             |    | Note 29 Cash Flow Statement – Financing    |     |
| Statement of Accounts.....             | 23 | Regulations .....                         | 67 | Activities .....                           | 105 |
| Independent auditor's report to the    |    | Note 9 Transfers to and from Earmarked    |    | Note 30 Members Allowances .....           | 105 |
| members of Spelthorne Borough          |    | Reserves .....                            | 70 | Note 31 Officers' Remuneration.....        | 106 |
| Council.....                           | 25 | Note 10 Other Operating Expenditure....   | 71 | Note 32 External Audit Costs.....          | 108 |
| Comprehensive Income and Expenditure   |    | Note 11 Financing and Investment Income   |    | Note 33 Grants and Contributions .....     | 109 |
| Statement.....                         | 33 | and Expenditure .....                     | 71 | Note 34 Related Parties .....              | 111 |
| Movement in Reserves Statement.....    | 34 | Note 12 Taxation and Non-Specific Grant   |    | Note 35 Capital Expenditure and Financing  |     |
| Balance Sheet.....                     | 36 | Income and Expenditure.....               | 72 | 115  |     |
| Cash Flow Statement .....              | 38 | Note 13 Property, Plant and Equipment.    | 73 | Note 36 Leases .....                       | 116 |
| Note 1 Accounting Policies .....       | 40 | Note 14 Heritage Assets.....              | 77 | Note 37 Defined Benefit Pension Schemes    |     |
| Note 2 Accounting Standards issued but |    | Note 15 Investment Property.....          | 78 | 120  |     |
| not yet adopted.....                   | 56 | Note 16 Intangible Assets.....            | 81 | Note 38 Contingent Liabilities .....       | 128 |
| Note 3 Critical Judgement in Applying  |    | Note 17 Long Term Investments.....        | 81 | Note 39 Contingent Assets .....            | 129 |
| Accounting Policies .....              | 57 | Note 18 Inventories .....                 | 82 | Note 40 Nature and Extent of Risks Arising |     |
| Note 4 Assumptions Made About the      |    | Note 19 Financial Instruments .....       | 83 | from Financial Instruments .....           | 130 |
| Future and Other Major Sources of      |    | Note 20 Debtors .....                     | 91 | Note 41 Prior Period Adjustments.....      | 136 |
| Estimation Uncertainty.....            | 58 | Note 21 Cash and Cash Equivalents .....   | 91 | Collection Fund Accounts.....              | 142 |
| Note 5 Material Items of Income and    |    | Note 22 Assets Held for Sale.....         | 92 | Group Accounts.....                        | 146 |
| Expense .....                          | 61 | Note 23 Short Term Creditors.....         | 92 | Glossary of Terms .....                    | 173 |

# Narrative Report

By the Chief Finance Officer

## Introduction

Welcome to Spelthorne Borough Council's Statement of Accounts for 2024-25. 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 which is followed in this document.

The Narrative Report presents an overview of the Council's accounts for the fiscal year ended 31 March 2025 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 and financial health. It includes comment on the financial performance and economy, efficiency, and effectiveness in the use of resources over the fiscal year, this should be considered in the context of the cost of living crisis, and associated housing crisis and the Council's Medium-Term Financial Strategy (MTFS), as set out in its Outline Budget reports.

During 2024-25, the Council was subject to a Best Value Inspection process, prompted by the Council being an outlier compared to other councils with a high level of external debt, and in March 2025 a Best Value Inspection report on the Council was published by the Ministry of Housing, Communities and Local Government (MHCLG) which recommended that ministers appoint Commissioners to drive an Improvement and Action Plan to address the Best Value directives. The Council will fully work in collaboration with the Commissioners to deliver the outcomes required by the BVI Directives, and this will reinforce the scale of savings to be driven by the Council's Improvement and Recovery Plan. On 21<sup>st</sup> March 2025, all the Surrey Councils, responded to the Government with respect to re-organisation of local government in Surrey with an interim proposal and two parallel

proposals of either two unitaries or three unitaries to come into existence in April 2027. On 9<sup>th</sup> May 2025 the Surrey Councils submitted their final proposals for unitary options.

The Government on 28<sup>th</sup> October confirmed its final decision on the future of local government in Surrey, approving a move to a two-unitary model. This means that, from April 2027, the current county, district and borough councils will be replaced by two new unitary authorities, East Surrey and West Surrey, responsible for all local services. West Surrey unitary will replace the geographic areas of Guildford, Runnymede, Spelthorne, Surrey Heath, Waverley, and Woking councils. Implementation work has begun to prepare for this transition and to make sure that there is no interruption in service delivery during this process. Elections for the new unitary councils will take place in May 2026, with full handover on 1st April 2027.

During 2024-25, the Council, similar to many other English councils, went through the backstop process to clear the backlog of unaudited accounts, in our case going back to 2018-19. This resulted in disclaimed audit opinions for the accounts 2018-19 through to and including 2023-24 being accepted by the Audit Committee in December 2024 for 2018-19 to 2022-23 and in February 2025 for 2023-24. However, positively with the later accounts, there was a substantial audit review and interaction which resulted in an Annual Audit Report and Audit Findings report both of which have a number of recommendations for the Council which we are addressing parallel to the Best Value recommendations, as part of the Improvement and Recovery Plan.

It is important that we progress at pace in working with our auditors and the Commissioners to rebuild assurance in the accounts before the Council passes its assets and liabilities across to its successor unitary authority in April 2027.

## Basis of Preparation

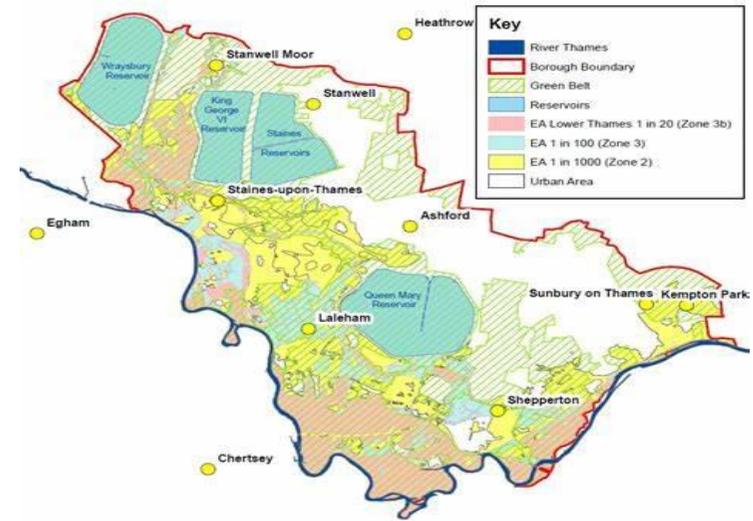
These accounts are presented on an International Financial Reporting Standards (IFRS) basis having been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2024-25.

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 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 recent Shepperton Studios expansion (which has resulted in it becoming the world's

second largest film studio) 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 and Shepperton Studios, which during the year completed the construction of the £500m million extension. 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 2024-25 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 2025 was:

Conservative Party 16  
Liberal Democrat Party 9  
Labour Party 6  
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 2025 the Council employed 409.38 FTE equivalent staff (2023-24: 410.86 FTE). This number will drop from the 1<sup>st</sup> of April 2025 with the Family Support service employed by the Borough Council coming to an end on 31<sup>st</sup> March.

## Cost of Living Crisis

The financial year 2024-25 has been a demanding one for both the Council and its residents as the impact of the cost of living and housing crisis continued. Whilst interest rates have now started to fall, there are still very significant housing pressures with a significant increase, compared to a few years ago, 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 97.4% (2023-24: 97.56%) for Council Tax and 97.9% (2023-24: 99.07%) 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 and the associated housing crisis is impacting hard on the Council's net expenditure budget as the Council anticipate additional demand for homeless support, with mortgage interest rates having risen significantly and although now falling, are still higher than a few years ago and residents, who come out of low interest fixed mortgages to renegotiate

new mortgages at higher interest rates, which are putting a squeeze on family finances and impacting on landlords' decisions.

## 2024-25 Budget

In 2024-25 the total gross budgeted expenditure was £63.1m (2023-24: £60.0m) this is excluding non-cash cost of services such as depreciation, impairment costs and pension adjustments. Of this, the Council budgeted to pay out approximately £21.6m 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 22 February 2024, the Council approved a budget requirement of £14m funded from Council Tax and grants, which delivered a balanced General Fund Revenue Budget for 2024-25 as shown in the table below:

| <b>Revenue Budget</b>              | <b>2024/25</b> |
|------------------------------------|----------------|
|                                    | £'000          |
| Net Expenditure                    | 14,026         |
| <b>Funded by:</b>                  |                |
| Council Tax                        | (8,728)        |
| Retained Business Rates            | (1,929)        |
| Grants                             | (3,469)        |
| Collection Fund Deficit            | 100            |
| Total Funding                      | (14,026)       |
| <b>General Fund Revenue Budget</b> | <b>0</b>       |

## Revenue Outturn for 2024-25

The final revenue outturn position for the 2024/25 financial year is a net underspend of £425k against a net revenue expenditure budget of £17.17m (5.7%). The changes when compared with the Quarter 3 forecast is due to combined management action to reduce expenditure, additional government grants, and a net grant balance being removed from the creditor balance.

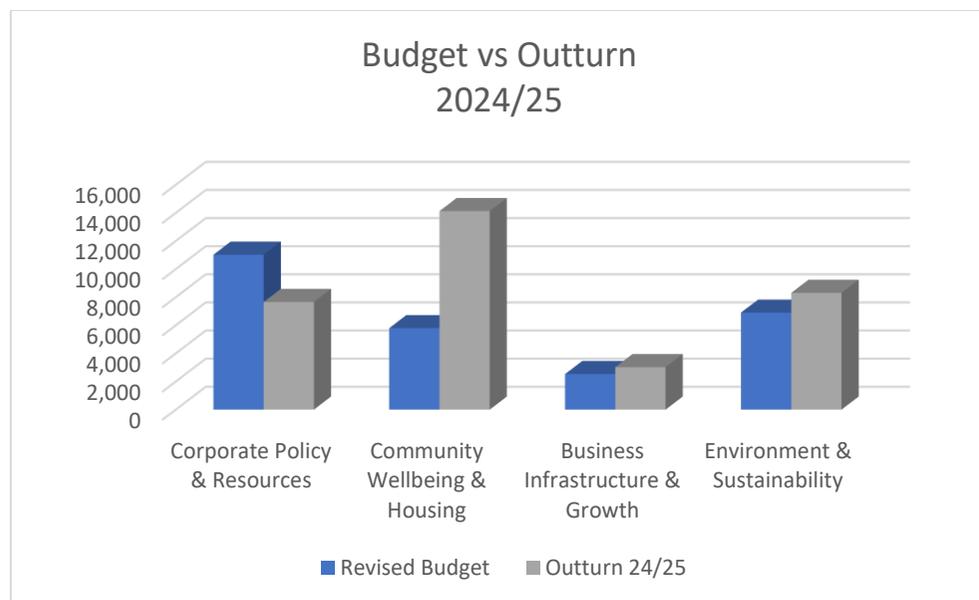
The 2024/25 (Q4) provisional underspend (compared to the forecast outturn position in Quarter 3) has arisen for the following reasons:

- unspent Local Authority Housing Fund (LAHF) revenue grant, Prevent Homelessness, Home Office Asylum Dispersal grant, Afghan Scheme Grant funding, Homes for Ukraine Grant funding, Department for Work and Pensions Housing Benefit implementation of welfare reform changes grants, which officers have recommended, are transferred to Earmarked Revenue Reserves, to cover future expenditure meeting the criteria of the grants.
- the net balance remaining after the various business support grants advanced to the Council during the pandemic and paid out to local businesses. This is provisional and subject to audit but following extensive review of exchanges with Department for Business, Energy & Industrial Strategy (BEIS) we are satisfied that there is no outstanding balance due to BEIS.
- additional interest received, due to higher than predicted interest rates on the overnight money markets and inter local authority lending market. This also relate to the drawdown of pooled funds which enabled rates of 5-6%.
- National Non-Domestic Rates Surplus on the Collection Account that was due to timing differences.

The Council underspend of £425k on its revenue budget has been transferred into the General Fund Reserve in at year end of 2024-25:

| Comparison of Revenue Budget to Revenue Outturn      | Revised Budget 2024/25 | Revised Outturn 2024/25 | Variance        |
|--|------------------------|-------------------------|-----------------|
|  | £'000                  | £'000                   | £'000           |
| Gross Expenditure                                    | 63,118                 | 76,562                  | 13,444          |
| Gross Income   | (36,859)               | (43,439)                | (6,580)         |
| <b>Net Expenditure</b>                               | <b>26,259</b>          | <b>33,123</b>           | <b>6,864</b>    |
| Investment Property Income                           | (50,947)               | (49,496)                | 1,451           |
| Landlord Costs                                       | 6,828                  | 5,886                   | (942)           |
| Interest Earnings                                    | (2,252)                | (3,123)                 | (871)           |
| Debt Interest Payable                                | 24,933                 | 25,681                  | 748             |
| Minimum Revenue Provision                            | 12,919                 | 19,268                  | 6,349           |
| Set Aside  | 650                    | 650                     | 0               |
| Sale of investment Loss/(Gain)                       | 0                      | (215)                   | (215)           |
| Capitalisation of Interest on Development Properties | (1,218)                | (211)                   | 1,007           |
|  | <b>17,172</b>          | <b>31,563</b>           | <b>(14,391)</b> |
| <b>Financed by:</b>                                  |                        |                         |                 |
| Grants and contributions                             | (2,094)                | (2,111)                 | (17)            |
| Planned Use of Reserves                              | (3,146)                | (3,225)                 | (79)            |
| Net Receipts from Business Rate                      | (3,204)                | (4,548)                 | (1,344)         |
| Council Tax (Demand on Collection Fund & Surplus)    | (8,728)                | (8,728)                 | 0               |
|  | <b>0</b>               | <b>12,951</b>           | <b>12,951</b>   |
| Adjustments to LAHF                                  | 0                      | (14,457)                | (14,457)        |
| Other  | 0                      | 1,081                   | 1,081           |
| <b>Outturn Underspend 2024/25</b>                    | <b>0</b>               | <b>(425)</b>            | <b>(425)</b>    |

## 2024-25 Revenue Outturn by Committee:



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 2024-25 of 98.8% to date, (2023-24: 99.09%) 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 Jones Lang LaSalle (JLL) reported to the February 2024 Development Sub-Committee on the Council's investment assets portfolio. 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. With a portfolio of investment properties of this scale there are however risks around the ability

to manage future churn of lease breaks and renewals, and this will be one of the key areas of risk the Commissioners will be working with the Council to review and mitigate.

In order to mitigate the risk of dips in rental income arising when commercial tenants leave, the Council has built up over eight years sinking fund Earmarked Reserves balances which as at 31 March 2025 totalled £26.3m (2023-24: £35m) in order 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 2024-25 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 in Sunbury. With regard to Elmbrook House, we are expecting in early 2025-26 to return to it being 100% let.

As part of addressing concerns raised by the External Auditors in their 2023-24 report and by the Best Value Inspection report, as part of the close of accounts process for 2024-25, it includes writing off fully accumulated capitalised costs relating to abortive housing schemes on sites owned by the Council. The amount written off totalled to £15.05m. The write off impacts on the 2023-24 Revenue Outturn and has been offset by drawdowns from a number of Earmarked Reserves. As the decision to abort the schemes was made by Council in October 2023, the adjustment has been made to a prior year adjustment in 2023-24. This has had the effect of reducing Earmarked Reserves by £15.05m.

## 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 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. With the completion of the new leisure centre, the Council's future capital expenditure has been significantly reduced.

The Capital Programme is prepared on a 4-year rolling basis and is reviewed every year. The Capital Programme consists of LAHF 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, including carbon reduction initiatives of major assets.

Total gross capital expenditure in 2024-25 was £33m (2023-24: £41m restated) and a breakdown of the assets making up this spend can be found in note 35. The majority of this related to financing of the new leisure centre in Staines-upon-Thames, which has been completed to the demanding environmentally friendly Passivhaus 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:

| <b>Capital Financing</b>               | <b>2023/24</b>  | <b>2024/25</b>  |
|--|-----------------|-----------------|
|  | £'000           | £'000           |
| <b>Total Capital Expenditure</b>       | <b>41,142</b>   | <b>33,118</b>   |
| <b>Financed by:</b>                    |                 |                 |
| Capital Receipts                       | 0               | 0               |
| Capital Grants and Other Contributions | (4,467)         | (12,081)        |
| Revenue Resources                      | (1,599)         | (357)           |
| Borrowing                              | (35,076)        | (20,680)        |
| <b>Total Capital Financing</b>         | <b>(41,142)</b> | <b>(33,118)</b> |

Future capital expenditure is as follows:

| <b>Capital Programme 2024/25 to 2027/28</b> | <b>Budget 2024/25</b> | <b>Budget 2025/26</b> | <b>Budget 2026/27</b> | <b>Budget 2027/28</b> |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
|   | £'000                 | £'000                 | £'000                 | £'000                 |
| <b>Net Programme by Committee:</b>          |                       |                       |                       |                       |
| Community Wellbeing & Housing - DFG         | 60                    | 60                    | 60                    | 60                    |
| Environment & Sustainability                | 2,180                 | 1,165                 | 0                     | 0                     |
| Neighbourhood Services                      | 335                   | 0                     | 0                     | 0                     |
| Corporate Policy & Resources                | 23,694                | 1,682                 | 1,579                 | 173                   |
| Regulatory & Administration                 | 783                   | 521                   | 0                     | 0                     |
| <b>Total</b>                                | <b>27,052</b>         | <b>3,428</b>          | <b>1,639</b>          | <b>233</b>            |

Future resources for capital expenditure are as follows:

| <b>Capital Financing 2024/25 to 2027/28</b>    | <b>2024/25</b> | <b>2025/26</b> | <b>2026/27</b> | <b>2027/28</b> |
|--|----------------|----------------|----------------|----------------|
|  | £'000          | £'000          | £'000          | £'000          |
| Capital Receipts, CIL, S106 Funding and Grants | 4,312          | 310            | 310            | 233            |
| Lease Funding for Refuse Vehicles              | 850            | 850            | 850            | 0              |
| Borrowing                                      | 21,890         | 2,268          | 479            | 0              |
| <b>Total</b>                                   | <b>27,052</b>  | <b>3,428</b>   | <b>1,639</b>   | <b>233</b>     |

The Council's strategy for financing capital expenditure focuses on projects that generate ongoing income or revenue savings, such as housing units developed under the LAHF. Funding for these projects is drawn from a combination of prudential borrowing, maximising available grant funding (e.g. LAHF) and utilising capital receipts, particularly for smaller housing-related initiatives. To further strengthen capital reserves and reduce external debt, the Council is also reviewing potential asset disposals in consultation with the Commissioners, as part of a planned comprehensive asset disposal programme as one element of the commercial theme within draft the Improvement and Recovery Plan due to be approved by Council in October 2025.

## General Fund Capital

Capital expenditure is expenditure on non-current assets that have a life expectancy of more than one year and benefit not just current but future taxpayers within the Borough. The assets are usually funded from grants, reserves built up over a period of time or from borrowing. Capital expenditure forms a large part of the Council spending on the provision of services and, in line with the Council revenue budget setting process, the Capital Programme for 2024/25 was compiled to maximise and make the best use of the available funding to deliver projects that contributed towards the key priorities of the Council.

The provisional Capital Outturn for the General Fund Capital Programme for 2024/25 is an overspend of £463k, this represents an adverse 0.7% variance.

During 2024/25, apart from the completion of the new leisure centre, the following projects have also been completed:

- renovation of Ashford Cemetery Lodge for housing needs
- Centros financial system upgrade

- purchasing new food waste vehicles
- replacement of refuse vehicles
- introduction of electric Spelride buses and moped vehicles, adding to our electric fleet of pool cars
- replacement of Laleham Nursery portacabins at Laleham Park
- construction of a new broadwalk along the southern side the River Ash in Woodthorpe Recreation Ground in Ashford

The Capital Monitoring report covers the cumulative actual expenditure to date, taking into account a number of projects that take more than one financial year to complete, against the cumulative Council approved Capital Programme budget and compares this against the latest forecast outturn from Officers. Although the projects may have a budget allocation in the Capital Programme, any increases in budget will require prior approval by the Corporate Policy & Resources Committee and Council before drawing down on the budget.

A number of construction projects have taken longer than twelve months post completion to finalise the invoices for each development, due to protracted negotiations with the main contractor. It is anticipated that further reductions and/or deferrals of budget will be made in the forthcoming year. Such deferrals would reduce the borrowing costs incurred during 2025/26 and also delay the resultant Minimum Revenue Provision (MRP) charges into future years. The scale of the Capital Programme from 2025-26 onwards is significantly reduced with minimal requirement for any further external borrowing.

## Capital Strategy and Assets

On 27<sup>th</sup> February 2025, the Council approved its updated Capital Strategy which can be found on the Spelthorne Borough Council website. The Strategy outlines the Council's housing delivery and regeneration joint venture and place shaping programme for the Borough.

The Council as at the 31 March 2025 had an investment asset portfolio valued at £583.10m (2023-24: including investment properties of £613.37m (restated) and the Summit Centre and the Elmsleigh Shopping Centre) 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 further dropped by 6.75 % (2023-24: 20.07%). As at the end of 2024-25, the overall occupancy rate for the Council's commercial assets was 90.99% (2023-24: 89.37%) by floor area.

The table below demonstrates that after debt financing and setting aside prudent provisions for future refurbishment of the assets, the net commercial return of approximately £9.1m (2023-24: £7.2m) provides additional funding to support the provision of services to residents.

| Investment Property Analysis *           | Budget          | Actual          | Budget          |
|--|-----------------|-----------------|-----------------|
|  | 2024/25         | 2024/25         | 2025/26         |
|  | £'000           | £'000           | £'000           |
| Rental Income                            | (46,872)        | (46,275)        | (46,177)        |
| Other Income                             | (4,075)         | (3,221)         | (2,247)         |
| <b>Total Income</b>                      | <b>(50,947)</b> | <b>(49,496)</b> | <b>(48,424)</b> |
| Landlord Costs                           | 6,828           | 5,886           | 7,224           |
| Minimum Revenue Provision (MRP)          | 12,379          | 12,379          | 12,688          |
| Interest on Borrowing                    | 23,102          | 23,103          | 22,864          |
| Sinking Funds - contributions to         | 834             | 1,251           | 1,003           |
| Set Asides for Specific Revenue Purposes | 650             | 650             | 670             |
| <b>Net Cost before Reserves Usage</b>    | <b>(7,154)</b>  | <b>(6,227)</b>  | <b>(3,975)</b>  |
| Sinking Funds - release from reserves    | (2,850)         | (2,850)         | (6,054)         |

### Net Income (to fund Revenue Budget)

(10,004) (9,077) (10,029)

*\*This table includes the Summit Centre and the Elmsleigh Shopping Centre income and expenditure.*

The explanation of variances for 2024/25 is provided in the property portfolio section on page 13.

The Council's diversified treasury management portfolio continued to produce good returns. However, during 2024-25 the Council made the strategic decision to draw down these funds and by 31 March only a balance of £2.9m in its CCLA fund remained. This decision was made primarily to enable the Council to avoid undertaking external borrowing at relatively high rates for the balance of the construction costs of the new Eclipse Leisure Centre.

Addressing concerns raised by External Auditors in their 2023-24 report and by the Best Value Inspection report, the Council in 2024-25 has refreshed its Minimum Revenue Provision (MRP) Policy, most of which will have an impact on the Revenue Budget from 2025-26 onwards, which will be addressed through the use of reserves and PWLB ongoing discounts. The MRP change which takes effect in 2024-25 is with respect to the housing sites purchased by the Council, these are now treated as surplus assets and the MRP is being written down over a short period of time (in most cases 5 years). This has resulted in an additional MRP charge of £6.5m as analysed below. This impacts on the Revenue outturn and has been offset by appropriation from Earmarked Reserves resulting in a reduction in reserves balances. Further information on the net book value of surplus assets can be found in Note 13.

| <b>Surplus Asset - Additional MRP</b> | <b>2024/25</b> |
|---------------------------------------|----------------|
|                                       | £'000          |
| Oast House                            | 3,836          |
| Thameside House                       | 1,712          |
| Benwell House Phase 2                 | 9              |
| Whitehouse Residential                | 9              |
| Victory Place                         | 996            |
| <b>Total</b>                          | <b>6,561</b>   |

## Financial Strategy Review

This Financial Strategy sets out the overarching framework for financial governance, planning and management. The aim is to ensure robust, affordable, sustainable and best value financial plans are developed to support decision making and prioritise the use of available resources.

Local Government continues to face an increasingly complex range of challenges and continuing pressure on finances including reduced funding, increased cost pressures and increased but competing demand for services.

The Council Medium-Term Financial Strategy (MTFS) sets out the estimated financial resources that are needed and available for the Council to deliver its key priorities and the Corporate Plan. Since the last MTFS was agreed by Council, a number of factors continue to affect the financial outlook for the Council. Following on from a decade of the Government austerity measures and underfunding, increasing demand, the war in Ukraine, has led to an increase in inflation, with the cost of living crisis notably around food, fuel and utility prices across the country impacting on residents and Council budgets. Although the base rate is now reduced in line with Bank of England targets, the cumulative impact of higher inflation over the past year remains a pressure on Council budgets. As part of the Improvement and Recovery Plan due to be approved in October 2025 by Council, the Council is

undertaking a fundamental refresh of its Medium-Term Financial Strategy and Plan.

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 cost of living crisis and inflation. As at the 31 March 2025 the Council held £60.15m (2023-24: £63.36m restated) in cash backed reserves.

The Council's reserves increased steadily in recent years to 2023-24 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. As a flagged earlier, in 2023-24 a prior year adjustment has been made to reserves to offset the impact of writing off accumulative abortive capitalised costs in 2024-25 overall cash backed reserves by a net £15.05m to £60.15m. This was also due to various factors including the £2.9m credit balance set aside to cover any repayment of COVID grant funds to Government being released to reserve, offsetting addition MRP charge of £6.5m.

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 building to the Passivhaus standard for the Eclipse Leisure Centre. This increased the cost of upfront capital investment but will reap longer term revenue benefits through constraining rising energy costs.

## Spelthorne Borough Council Property Portfolio

The commercial portfolio is wholly owned by Spelthorne Borough Council and sits on its balance sheet. The Council acquired the commercial properties during the period 2016 to 2018 primarily for income to support the delivery of front-line services in response to Government grant funding being removed. One of the Council's key corporate priorities is financial resilience. This means the prudent management of Council finances and resources to secure the long-term financial sustainability of the Council to protect its ability to deliver services for residents. Even with Local Government Reorganisation in Surrey this continues to be a key priority as the successor unitary will want reassurance that financial risks are being appropriately mitigated. The Best Value Inspection report highlight significant medium to long term risks for the Council of holding its investment assets portfolio. As part of the Improvement and Recovery Plan due to be approved by Council in October 2025, the Council will evaluate each of its investment assets to inform a medium term disposal programme.

The Assets team produce the Asset Investment Strategy (AIS) at the beginning of the financial year which focuses on the key priorities and initiatives over the forthcoming 12 months and is a summary of the strategy approved within the Business Plans for the individual properties. As such the Annual Commercial Property Report is a backward-looking review and measures the performance against targets set at the beginning of the financial year and the KPI's.



The commercial properties are held into two distinctive portfolios: investment and regeneration. Both portfolios are independently valued annually at the 31st of March to comply with the Council's accounting obligations. Knight Frank LLP were appointed, following a competitive procurement process, to undertake the annual valuation for the year ending 31st March 2025. This is a new appointment, with Knight Frank LLP awarded the 3-year contract taking on the role from Carter Jonas LLP. The change in valuer is in line with audit and governance good practice guidelines. Knight Frank as the incumbent valuer have taken an objective view of the properties, however, typically there is often a re-adjustment of values when a new valuer is appointed because there is no need for the valuer to justify movement on last year's values.

At the 31st March 2025 Knight Frank LLP valued the portfolios. The commercial properties portfolio is valued on a market value basis in accordance with the RICS Professional and Global Valuation Standards.

- the total value of the Council's commercial properties portfolio as at 31st March 2025 is £623.85m (this includes the Summit Centre and the Elmsleigh Shopping Centre that are included in the Property, Plant and Equipment Note and not in the Investment Property Note).

- the investment portfolio declined in value by 5.30% whilst the regeneration portfolio increased in value by 11.78%.
- overall, the total portfolio declined in value by 4.08% compared to 31st March 2024.
- the Elmsleigh Shopping Centre, the only retail asset in the portfolio increased in value for the second consecutive year.
- no properties were bought or sold during the 12-month period.

The total value of the Council's property portfolio decreased over the last 12 months by 4.08%. This compares to a combined portfolio decrease of 16.20% for the previous 12 months to 31st March 2024. Whilst the aggregate portfolio saw a moderate decrease, six of the eleven properties increased in value. The regeneration portfolio, being the in-Borough properties acquired primarily for regeneration rather than income performed well with the combined portfolio increasing by 11.78%. The investment portfolio decreased in value by 5.30%. This was largely due to the fall in value of the single let properties with lease expiries within the next five years. The portfolio valuation demonstrates a moderate recovery of some asset values. It accords with the general view that during 2024 the property market reached its cyclical low point but is now turning a corner.

The Council's budget setting process involves forecasting the income generated from the commercial properties portfolio for the upcoming financial year and the irrecoverable expenditure. On an annual basis forecasts are provided for the next 5 years together with a detailed budget for the next 12 months. Budget setting takes place in the autumn/winter prior to the 1 April start of the financial year.

The commercial properties benefit from a contractual income stream governed by the rent agreed under the lease. Whilst the lease contract allows the Council to budget the net receivable income with some accuracy there is an element of unpredictability and risk due to tenant default, insolvency, rent reviews, lease renewal negotiations or the exercise of break options. The net receivable income and the irrecoverable expenditure are

monitored on a monthly basis and reported quarterly to Committee Members throughout the financial year. The budget forms the benchmark, and the Council seeks to exceed the budget expectations on net income and underspend the non-recoverable revenue target.

- the Council received a net rental income of £49.5m (this includes the Summit Centre and the Elmsleigh Shopping Centre that are included in the Property, Plant and Equipment Note and not in the Investment Property Note) from the commercial properties portfolio for the financial year ending 31<sup>st</sup> March 2025 against a forecast budget of £50.9m.
- the income was less than budget by £1.4m or 2.85%. The shortfall was due to the timing issue of the release of the £4m business rates provision at end of 2023/24 rather than in 2024/25 for Charter Building but is offset by adjustment on income for rent free periods. Furthermore, some forecasted lettings did not complete as anticipated at Elmbrook House. The income at 12 Hammersmith Grove is under-budget due to the lower than forecast profit share generated by one of the leases.
- the operating costs were slightly lower than forecast by £0.94m or 13.6%. The favourable variance relates to landlord's fit out works, which did not happen due to a reduction in number of new lettings in 2024/25. There is also underspend on business rates as full empty rates allowance was applied.
- overall, the commercial properties provided a net income (income less expenditure) of £43.6m before finance costs, management set aside and sinking fund movements. This was less than forecast by £0.51m as a result of lower rental income. Whilst lower than budget by 1.2%, the Council did not undertake any large refurbishments during the current financial year which explains the lower expenditure and the higher final outturn than the previous financial year.

- a net income (after finance costs, management set aside and sinking fund movements) of £9.1m was transferred to the revenue budget to support service delivery.

Over a three-year period, the Council has been committed to deliver a net contribution of £10.8m. Over the last three years an average of £8.9m has been transferred to the revenue budget, which is below benchmark. Going forward, arrangements will be reviewed as part of the Improvement and Recovery Plan with a medium term disposal programme to be undertaken and a re-purposing of the Sinking Funds Reserves.

In summary the portfolio performed in line with the wider office market and budget expectations. The Council had anticipated that the office market would make a stronger recovery and as a consequence a number of forecasted lettings did not materialise. Nevertheless, the net property income (before sinking fund deductions, loan, and interest re-payments) was better than forecast; the void rate saw a reduction on the financial year 2023/24 and rent collection was 98.84%. The Elmsleigh Shopping Centre performed very well demonstrating rental and capital growth and remaining fully let.

Overall, the office investments saw a moderate fall in value (5.30%) consistent with the South East office market. The fundamentals of the properties within the Spelthorne portfolio remain strong, being best in class and well located, therefore the properties are well placed to benefit from the improvement of the occupational market. Ongoing capital expenditure will be needed to retain their position, to prevent obsolescence and maintain high occupancy rates. The high office weighting is expected to detrimentally affect the future performance comparative to other mixed sector portfolios over the next five years. This is because the recovery of the office sector will be slower, with performance lagging behind the retail and industrial sectors. Going forward the challenge will be to reduce the vacancy rate to improve the rental income and lower operational expenditure and also mitigate the risk associated with the current lease expiry profile. The future strategy for managing the portfolio will align with the wider Council remit for ongoing

financial resilience and will be in collaboration with other Surrey Boroughs as progress is made towards a unitary authority.

## Pensions

International Accounting Standard *IAS 19 Employee Benefits* 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 2025, showing a surplus of £13.507m for this Council, (2023-24: £6.151m (deficit)) and the favourable movement is principally due to strong investment returns and interest income from plan assets. The financial assumptions used by the Actuary to calculate the future liability – such as those for inflation and discount rates – are set-out in the pension liability disclosure note 37.

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. This limits the Council's ability to realise the full economic benefits through reductions in future employer's contributions. Furthermore, under IAS 19, the International Financial Reporting Interpretations Committee (IFRIC 14) requires a net pension asset to be recognised up to the level of the asset ceiling. This is calculated by the Actuary based upon discount rates and a number of forecasts such as salary estimates and employer contributions to the pension fund.

The net pension asset has been adjusted to reflect the valuation provided by the Actuary which incorporate the asset ceiling, creating a net liability on the balance sheet. Further explanation can be found in note 37 of the Accounts.

Although the IAS 19 pension asset/liability has a significant impact on the Council's balance sheet, the valuation methodology is affected by short-term economic market conditions and is not used to determine the impact on Council Tax of the cost of paying pensions. There are separate statutory arrangements for determining future contributions into the pension scheme.

## Borrowing

During the year, the Council hasn't taken any additional external long-term borrowing. As flagged above as an alternative to locking in additional borrowing, the Council has drawn down its pooled investment funds. In October 2024 the Council took the decision, that rather than take out additional debt to finance the balance of the capital cost of the Eclipse Leisure Centre, it would draw down the medium-term investment pooled funds. By the end of the year, outstanding long-term debt stood at £1.042b (2023-24: £1.054b). Total aggregate financing charges on long-term borrowing, before deducting capitalised interest on development projects and interest received from the Council subsidiaries, amounted to £25.07m (2023-24: £25.14m). These were more than covered by additional income generated by the assets acquired with this loan funding over the years.

On 18<sup>th</sup> March an Extraordinary Council Meeting agreed to sell the regeneration site the Summit Centre for £20m and the Ashford Victory Place housing site for £5.2m (receiving as part of the deal 30 nomination rights to affordable housing units). The capital receipts generated will be applied to accelerate the pay down of debt held by the Council. Due to the discounts available on the Public Loans Board Debt the Council holds, if the capital receipts are fully applied to pay off debt this will potentially enable slightly over £27m of debt to be repaid. The completion of the two sales is expected in autumn 2025. This is the first step in a broad housing/regeneration assets disposal strategy designed to facilitate an accelerated rate of debt reduction.

A key strategic decision, taken during the year, was the decision in October 2024 by Council to draw down the £34m of medium term investment funds, avoiding the need to take out external borrowing, at a time interest rates are high to finance the balance of the Eclipse Leisure Centre capital project. One consequence of this is that the Council's revenue returns will be reduced.

# Local Government Reorganisation (LGR) in Surrey

On 18 March 2025, the Council approved the Joint Interim Local Government Reorganisation Plan. This Plan, drawn up by all councils in Surrey (county, districts, and boroughs), was subsequently submitted to the Ministry of Housing, Communities and Local Government (MHCLG). At its meeting on 6 February 2025 the Council expressed a preference for three unitary authorities regarding the future structure of local government across Surrey.

Since that time Surrey County Council (SCC) has focused on developing a proposal for two unitary councils across Surrey, while the eight Districts and Boroughs (D&Bs) which did express a preference have focused on developing a proposal for three unitary councils.

Spelthorne Borough Council Leader has sat on the Surrey Leaders Local Government Steering Group overseeing the development of the Interim and Final submissions. The Chief Executive, Section 151 Officer (Chief Finance Officer), the Monitoring Officer and Head of Communication have met regularly with counterparts across Surrey, being heavily involved in the composition of the Plans. The Council has a stated ambition to “review our ways of working to make us more efficient, effective, and to improve customer satisfaction.” The Government has stated that Local Government Reorganisation (LGR), whereby new unitary councils will replace the county and district/borough councils in two-tier areas such as Surrey, will be more efficient and effective, in addition to improving customer satisfaction.

The Districts Borough proposal supported by 9 of the districts and boroughs sets out our shared vision for the future of local government in Surrey that will drive economic growth, deliver housing, and improve value for money, while respecting our residents’ stated desire for a set of Councils that

recognise local identities, and are close enough to communities to enable the place-based solutions that are so critical to delivering best value.

The proposal paves the way for the creation of a Mayoral Strategic Authority for Surrey, led by an elected Mayor of Surrey who will work alongside local leaders to support a strategic and coordinated vision across the county, opening up the opportunities to take advantage of the Government’s devolution offer to further improve outcomes for the residents and businesses of Surrey.

The proposal outlines six essential principles for local government reorganisation, ensuring that it:

- supports economic growth, housing, and infrastructure delivery
- unlocks devolution
- values and advocates for Surrey’s unique local identities and places
- provides strong democratic accountability, representation, and community empowerment
- secures financial efficiency, resilience, and the ability to withstand financial shocks
- delivers high-quality, innovative, and sustainable public services that are responsive to local needs and enable wider public sector reform

Having robustly and comprehensively considered each of these principles, nine of the Surrey districts and borough councils have concluded that three unitary authorities are the best configuration for Surrey. These new councils, East Surrey, West Surrey and North Surrey, are more than just lines on a map. They reflect the county’s real economic and human geography. They reflect the lived reality of our residents, and the practical considerations of our businesses. More information is available on the Spelthorne Borough Council website under the Local Government reorganisation section.

# Best Value Inspection

In May 2024, following on from the Chartered Institute of Public Finance and Accountancy (CIPFA) review in the previous year, the Minister announced a Best Value Inspection (BVI) to review the extent to which the Council was delivering against the Best Value standards. The BVI review was originally intended to finish by 31 August 2024 but was extended due to the impact of the timing of the General Election leading to a delay in appointing the third and fourth Best Value Inspectors. The Review concluded at the end of January 2025, and the Government published the BVI report in March 2025. The BVI Report sets out 13 Recommendations as follows:

1. **Commissioner-led intervention:** The Secretary of State should consider appointing Commissioners with expertise in finance, commercial investments, property, and transformation to oversee the Council's recovery process and ensure effective governance.
2. **Comprehensive commercial strategy:** The Council should, with Commissioners' support, develop a comprehensive commercial strategy, with clear approaches to its investment and regeneration portfolios, including exit strategies for the commercial investments and realistic and deliverable strategies for the regeneration sites. Progress reported regularly to Committees, alongside an annual report to full Council. The sinking fund should be updated with more accurate income and expenditure forecasts, with adequate provisions made for future costs.
3. **Review and strengthen asset's function:** The Council should, with Commissioners' support, review its assets function, ensuring that it has the necessary skills and experience to manage the high risks associated with its investment and regeneration portfolios. Consultants should be used more effectively.
4. **Review of MRP provision and accounts treatment for suspended capital projects:** The Council should urgently review its current MRP provision with its external auditors, Grant Thornton, as it is underfunded.

Additionally, revenue costs associated with suspended capital projects should be charged to the 2024/25 accounts.

5. **Revised Medium-Term Financial Strategy (MTFS):** The Council, with Commissioners' support, should update its MTFS to reflect the costs and risks identified in this report and by their external auditors. The MTFS should align with the new commercial strategy and include proactive measures to reduce costs and improve financial viability.
6. **Debt reduction strategy:** The Council should, with Commissioners' support, develop a comprehensive debt reduction strategy to achieve a prudent level of debt within a realistic timeframe to ensure long-term financial stability.
7. **Transformation strategy development:** The Council should, with Commissioners' support, secure additional expertise to develop a comprehensive transformation strategy to deliver the savings outlined in its MTFS.
8. **Review and strengthen finance function:** The Council should, with Commissioners' support, review its finance function, identifying gaps in skills and ensuring the recruitment of individuals with the necessary skills and experience to address the high financial risks.
9. **Improvement and recovery plan:** The Council should develop a comprehensive improvement and recovery plan, integrating recommendations from KPMG, CIPFA, the LGA, and the external auditor as per their January 2025 reports, with quarterly progress reports to both the Audit Committee and the Corporate Policy and Resources Committee, alongside an annual report to full Council.
10. **Revised Corporate Plan:** The Council should be revised its Corporate Plan to ensure it is achievable and supported by a performance framework, establishing a golden thread between the Corporate Plan, the budget, service plans, and individual appraisals. Quarterly progress updates should be made to Committees, alongside an annual report to full Council.
11. **Audit Committee structure:** The Council should review the structure and reporting processes of its Audit Committee. This could include

recruiting a second independent member who acts as chair, in line with CIPFA guidance, and ensuring annual reports to Council.

12. **Culture reset and relationship building:** The Council should, with Commissioners' support, reset its culture and rebuild relationships between members and senior officers.
13. **Housing delivery:** The Council should, with Commissioners' support, develop a realistic plan to deliver housing numbers outlined in its Local Plan and assess the viability of Knowle Green Estates, developing a business case and future options for the company and the housing it currently manages.

The Council will pro-actively engage and work with the Commissioners to implement and deliver an Improvement and Recovery Plan to deliver all the recommendations in the BVI report. Senior officers, lead councillors and Commissioners are working on pulling together an Improvement and Recovery Plan to be considered by Council in October 2025. The Plan will set out workstreams to address all the Best Value recommendations and the Best Value Directions. The Council will recruit, in collaboration with the Commissioners, a Programme Coordinator to ensure that the Action Plan is effectively implemented. There will be an Improvement and Recovery Board, chaired by the Lead Commissioner which will meet monthly to monitor progress against the Plan. Updates will be provided quarterly to the Council's Corporate Policy and Resources Committee and Audit Committee.

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. In the context of Local Government Reorganisation and Best Value the Corporate Plan is being refreshed and refocused.

## Commissioners - Best Value Intervention

In a letter to the Chief Executive dated 8 May 2025, the Government has advised that it will appoint Commissioners to Spelthorne Borough Council. The Commissioners commenced on site on Monday 12<sup>th</sup> May 2025, with their Chief of Staff and Deputy Chief of Staff. The Commissioners have initially been appointed until January 2026, and the Council believe this links to the LGR and the need for MHCLG to take stock at that point in the LGR context.

The Commissioners are accountable to the Secretary of State to exercise the following functions:

- to strengthen the commercial decision making, regeneration, property management and procurement functions of the Authority
- to deliver financial sustainability by closing any short or long-term budget gaps and reducing the Authority's external borrowing
- transformation of council services to achieve value for money and financial sustainability, taking account of any decisions relating to proposals for unitary local government in Surrey
- ensure the Council has the right skills and structures to make ongoing improvements across the entire organisation

The Secretary of State considers that most decisions should continue to be made by the Authority, but with the oversight of the Commissioners who will 'uphold proper standards and due process and recommend action to the Authority'.

The Directions can be viewed on the GOV.UK website under Spelthorne Borough Council: Directions made under the Local Government Act 1999 (8 May 2025).

## Guide to the Financial Statements

In addition to this Narrative Report, the introduction to the financial statements includes a Statement of Responsibilities which sets out our responsibilities for our financial affairs and how we make sure we fulfil them. The Auditor's Report provides an independent opinion of our Financial Statements including whether they provide a true and fair view of the financial position and have been prepared in line with relevant regulations.

The Financial Statements (shown on pages 31 to 37) summarise the financial effects of transactions and events that occurred during 2024/25. The primary financial statements comprise:

- Comprehensive Income and Expenditure Statement
- Movement in Reserves Statement
- Balance
- Cash Flow Statement

**The Comprehensive Income and Expenditure Statement (CIES)** records all Council's income and expenditure for the year in accordance with generally accepted accounting practices rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. For this reason, the Expenditure and Funding Analysis (shown in note 7) provides a reconciliation between the accounting cost of service provision and the amounts spent under the Council's rules for monitoring expenditure against the funding in the annual budget. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement. The top half of the CIES provides an analysis by service area. The bottom half of the CIES deals with corporate transactions and funding.

**The Movement in Reserves Statement** shows the movement in the year on the different reserves held by the Council, analysed into usable reserves (those that can be applied to fund expenditure or reduce local taxation) and

other useable reserves. This 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 net increase/decrease line shows the statutory General Fund balance movement in the year.

**The Balance Sheet** is a snapshot of the Council's assets, liabilities, cash balances and reserves at the year-end date. 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 are useable reserves, i.e. those reserves that the authority 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 repay debt). The second category of reserves is those that the Council is not able to use to provide 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."

**The Cash Flow Statement** shows 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 flow 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, and 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.

In addition to the four primary financial statements the following supplementary statement and associated notes are included within the Statement of Accounts.

**Collection Fund Revenue Account** - billing authorities in England are required by statute (the Local Government Finance Act 1988) to maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and business rates. The Collection Fund is the account that shows the income and expenditure transactions of the Council (as the billing authority) in this regard. This statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities (Surrey County Council and Surrey Police and Crime Commissioner) and the Central Government of Council Tax and non-domestic rates.

**The Notes to the Financial Statements** provide further information on the Council's financial performance and, where relevant, detailed analysis of the amounts provided in the primary financial statements.

Alongside the Statement of Accounts, we publish the **Annual Governance Statement** (AGS) that explains how we manage our affairs and control our activities. The statement highlights any important areas of governance that may need to be addressed following an annual review.

## Summary

The next few years will continue to be extremely challenging, with the Council focusing in parallel on delivering against its Improvement and Recovery Plan, progressing an assets disposal strategy and transformation programme, and at same time working with other Surrey Councils to move

toward the creation of new unitary Councils which will go live on 1<sup>st</sup> April 2027.

In December 2024, the Council received provisional notification of the of the funding floor grant for 2024/25 which fell from £1.88m to £1.73m. The Council is reviewing and revising its Outline Budget key parameters and assumptions to provide a focus for the forthcoming 2026-27 Budget process as this is when the Local Government Funding reform will begin to take effect with a business rates reset, and a likely redirection of grants away from areas such as Surrey to areas with lower taxbases. 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 economic volatility and cost of living crisis the Council was able set a balanced budget for 2025/26, although this did require £6m draw down from sinking funds reserves, and on an indicative basis the Council is forecasting budget deficits for the reasons mentioned above for the years 2026/27 to 2028/29.

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. The Council will be working with Commissioners to identify significant savings in order to close the budget gaps and to ensure that the Council's finances are in a robust position by the time it is succeeded by a new unitary.

The Council cash backed reserves have reduced over the period 2023-24 and 2024-25 to £60.15m. As commented in large part this is due to the application of £15.05m of reserves to offset the impact of accumulated capitalised costs on abortive housing and regeneration schemes to be charged back to Revenue.

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.

**Mr Terry Collier, CPFA, CA**  
**S151 Officer, Chief Finance Officer**  
**& Interim Chief Executive**

# Statement of Responsibilities for the Statement of Accounts

This statement is given in respect of the Statement of Accounts 2024-25, 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 2024/25* ('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 Practice
- 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 2025, **dated 24 February 2026**.

Signed

**Mr Terry Collier, CPFA, CA**  
**S151 Officer, Chief Finance Officer**  
**& Interim Chief Executive**

Signed

**Councillor Jon Button**  
**Chair of Audit Committee**

# Independent auditor's report to the members of Spelthorne Borough Council

## Report on the audit of the financial statements

### Disclaimer of opinion

We were engaged to audit the financial statements of Spelthorne Borough Council (the 'Authority') and its subsidiaries (the 'group') for the year ended 31 March 2025, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Revenue Accounts, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet, the Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024-25.

We do not express an opinion on the accompanying financial statements of the Authority or the group. Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

### Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 ('the Regulations') require the Authority to publish audited financial statements for the year ended 31 March 2025 by 27 February 2026 ('the backstop date'). The backstop date has been put in law with the purpose of clearing the backlog of historical financial statements.

On 26 February 2025, we issued a disclaimer of opinion on the Authority's and the group's financial statements for the year ended 31 March 2024. We were not able to obtain sufficient appropriate audit evidence by 28 February 2025, the previous backstop date, that the financial statements were free from material misstatement. We were therefore unable to obtain sufficient appropriate audit evidence over the corresponding figures or whether there was any consequential effect on the Authority's and Group's Comprehensive Income and Expenditure Statements for the year ended 31 March 2025 for the same reason.

As a result of the limitations imposed by the backstop date, we have been unable to obtain sufficient appropriate audit evidence over the Authority's and group's opening balances reported in the financial statements for the year ended 31 March 2025. Consequently, we have been unable to satisfy ourselves over the in-year movements in the net pension liability and property, plant and equipment and investment property balances. This has also resulted in uncertainty over the closing balance of property, plant and equipment and investment property as at 31 March 2025. Similarly, we have not been able to obtain assurance over the Authority's and group's closing reserves balance as at 31 March 2025, also due to the uncertainty over their opening amount.

We have concluded that the possible effect of these matters on the financial statements could be both material and pervasive. We have therefore issued a disclaimer of opinion on the financial statements. This enables the Authority to comply with the requirement of the Regulations to publish the financial statements for the year ended 31 March 2025 by the backstop date.

### **Other information we are required to report on by exception under the Code of Audit Practice**

Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have been unable to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024-25 or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

### **Opinion on other matters required by the Code of Audit Practice**

The S151 Officer, Chief Finance Officer & Interim Chief Executive is responsible for the other information. The other information comprises the information included in the Statement of Accounts other than the Authority's and group's financial statements and our auditor's report thereon. Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have been unable to form an opinion, whether based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, whether the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

### **Responsibilities of the Authority and the S151 Officer, Chief Finance Officer & Interim Chief Executive**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the S151 Officer, Chief Finance Officer & Interim Chief Executive. The S151 Officer, Chief Finance Officer & Interim Chief Executive is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024-25, for being satisfied that they give a true and fair view, and for such internal control as the S151 Officer, Chief Finance Officer & Interim Chief Executive determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the S151 Officer, Chief Finance Officer & the Interim Chief Executive is responsible for assessing the Authority's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority and the group without the transfer of its services to another public sector entity.

### **Auditor's responsibilities for the audit of the financial statements**

Our responsibility is to conduct an audit of the Authority's and the group's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report. However, because of the matters described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on those financial statements.

We are independent of the Authority and the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

## **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The audit was defective in its ability to detect irregularities, including fraud, on the basis that we were unable to obtain sufficient appropriate audit evidence due to the matters described in the basis for disclaimer of opinion section of our report.

## **Report on other legal and regulatory requirements – the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources**

### **Matter on which we are required to report by exception – the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources**

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2025.

We have nothing to report in respect of the above matter except:

- On 26 January 2025 we identified three significant weaknesses in how the authority manages its finances due to: inadequate medium term financial planning, insufficient plans to address future funding gaps and inadequate management of financial risks. We recommended that the Authority should ensure:
  - all financial reports that are relevant to decisions regarding short-term and medium-term planning are accurate and consistent, and that the root causes of budget growth are identified and explained to members to ensure accuracy of financial plans.
  - robust plans are approved to address the medium-term budget gaps and to reinstate its transformation programme as a matter of urgency.

A Best Value Inspection Report was issued on 17th March 2025 and Commissioners were appointed on 8th May 2025. Since the appointment of Commissioners, new costs that the Council needs to fund have come to light. These will need incorporating into financial plans. The significant weaknesses remain and the above recommendations are retained. In addition, on 21 October 2025 we recommended that the Authority:

- update the Medium Term Financial Plan to reflect new costs and risks identified by the best value inspection; appointment of Commissioners; and adoption of an Improvement and Recovery Plan.
  - consider the commercial skills and experience of the teams managing investment property and other properties. Training, commercial experience and upskilling should be provided where necessary.
  - work with commissioners to agree a comprehensive debt reduction strategy that includes consideration of asset lives and length of time over which it is realistic to carry debt. At the same time, the sinking fund model should be revisited regularly as more up to date and accurate information becomes available.
- On 26 January 2025 we identified three significant weaknesses in the Authority's governance arrangements in relation to decision making and scrutiny, governance relating to subsidiary undertakings and maintaining appropriate standards. We recommended that the Authority should:
    - ensure that the Financial Reporting Working Group is appropriately resourced to enable it to quickly provide guidance and training to officers in report writing.
    - consider the governance and oversight of Knowle Green Estate Ltd to avoid perceived conflicts of interest and to conform to best practice.
    - review its strategic risk register to consider risks arising from previous external scrutiny reports as well as procurement and ensure that risks and mitigations reflect the latest position with regard to actions taken.

The Authority has yet to fully implement the above recommendations, so these have been retained. In addition, on 21 October 2025 we identified that the Internal Audit Programme for 2025/26 has been delayed and had not been informed by key analytics. We recommended that the Authority:

- progresses with delivery of the Internal Audit programme for 2025/26. Implementation of management actions identified by Internal Audit, should be monitored carefully. During 2025/26, the Council should refine data analytics to inform internal audit planning for 2026/27.
- On 26 January 2025 three significant weaknesses in the Authority's arrangements for improving economy, efficiency and effectiveness in relation to the use of financial and performance information, a failure to secure improvement following external review and a failure to deliver efficiency and performance improvements when managing significant outsourced contracts. We recommended that the Authority should:
    - ensure corporate performance monitoring of its strategic priorities is undertaken and reported to the Corporate Policy Resource Committee or Full Council on a quarterly basis.

- ensure that the necessary changes to procurement and contract management arrangements are put in place to ensure that efficiencies and economies are maximised.

The Authority has yet to fully implement the above recommendations, so these have been retained. In addition, on 21 October 2025 we identified that the new Improvement and Recovery Plan needs to be finalised and embedded so that it can formally start to be progressed. We recommended that:

- Members and officers work collaboratively to deliver the Improvement and Recovery Plan once it is finalised and demonstrate that the Authority is leading and overseeing its improvement journey.

### **Responsibilities of the Authority**

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

### **Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

## Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Spelthorne Borough Council for the year ended 31 March 2025 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have received confirmation from the National Audit Office the audit of the Whole of Government Accounts is complete for the year ended 31 March 2025. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2025.

### Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signed  
Joanne Brown Key Audit Partner  
for and on behalf of Grant Thornton UK LLP, Local Auditor

London  
24 February 2026

# Primary Financial Statements

# Comprehensive Income and Expenditure Statement

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 funded from taxation (or rents). The Council raises taxation (and rents) 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 and the Movement in Reserves Statement.

| 2023/24 Restated* |                  |                 |  | 2024/25           |                  |                 |
|-------------------|------------------|-----------------|--|-------------------|------------------|-----------------|
| Gross Expenditure | Gross Income     | Net Expenditure |  | Gross Expenditure | Gross Income     | Net Expenditure |
| £'000             | £'000            | £'000           |  | £'000             | £'000            | £'000           |
| 40,634            | (32,045)         | 8,589           | Community Wellbeing & Housing  | 53,199            | (31,310)         | 21,889          |
| 13,267            | (4,664)          | 8,603           | Corporate Policy and Resources   | 20,455            | (8,154)          | 12,301          |
| 14,965            | (6,611)          | 8,354           | Environment & Sustainability   | 16,983            | (6,298)          | 10,685          |
| 19,578            | (1,255)          | 18,323          | Business Infrastructure - Growth   | 27,564            | (2,390)          | 25,174          |
| <b>88,445</b>     | <b>(44,576)</b>  | <b>43,869</b>   | <b>Cost of Services</b>  | <b>118,201</b>    | <b>(48,153)</b>  | <b>70,049</b>   |
| 6,368             | 0                | 6,368           | Other Operating Expenditure  | 1,510             | (1,579)          | (69)            |
| 164,487           | (51,449)         | 113,038         | Financing and Investment Income and Expenditure  | 61,848            | (48,771)         | 13,077          |
| 19,814            | (33,948)         | (14,134)        | Taxation and Non-Specific Grant Income   | 0                 | (32,588)         | (32,588)        |
| <b>279,114</b>    | <b>(129,973)</b> | <b>149,141</b>  | <b>(Surplus) or Deficit on Provision of Services</b>   | <b>181,559</b>    | <b>(131,081)</b> | <b>50,469</b>   |
|                   |                  | (14,277)        | (Surplus) or Deficit on revaluation of Property, Plant and Equipment   |                   |                  | (1,638)         |
|                   |                  | (9,507)         | Remeasurements of the net defined benefit liability/asset  |                   |                  | 4,848           |
|                   |                  | (1,768)         | (Surplus)/Deficit from investments in equity instruments designated at fair value through other comprehensive income |                   |                  | 251             |
|                   |                  | <b>(25,552)</b> | <b>Other Comprehensive (Income) and Expenditure</b>  |                   |                  | <b>3,461</b>    |
|                   |                  | <b>123,589</b>  | <b>Total Comprehensive (Income) and Expenditure</b>  |                   |                  | <b>53,930</b>   |

\* Prior year restatement details provided in Note 41

# Movement in Reserves Statement

The Movement in Reserves 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 net increase/decrease line shows the statutory General Fund Balance movements in the year following those adjustments. The 2023-24 figures are shown for comparison.

| 2024/25   | General Fund Balance | Earmarked Reserves | Capital Receipts Reserves | Capital Grants Unapplied | Total Usable Reserves | Total Unusable Reserves | Total Reserves |
|---|----------------------|--------------------|---------------------------|--------------------------|-----------------------|-------------------------|----------------|
|   | £'000                | £'000              | £'000                     | £'000                    | £'000                 | £'000                   | £'000          |
| <b>Balance brought forward 1st April 2024 Restated</b>                    | <b>(3,083)</b>       | <b>(56,745)</b>    | <b>(2,029)</b>            | <b>(1,505)</b>           | <b>(63,362)</b>       | <b>316,576</b>          | <b>253,214</b> |
| (Surplus)/Deficit on provision of services                                | 50,468               | 0                  | 0                         | 0                        | 50,468                | 0                       | 50,468         |
| Other Comprehensive Income and Expenditure                                | 0                    | 0                  | 0                         | 0                        | 0                     | 3,461                   | 3,461          |
| <b>Total Comprehensive Income and Expenditure</b>                         | <b>50,468</b>        | <b>0</b>           | <b>0</b>                  | <b>0</b>                 | <b>50,468</b>         | <b>3,461</b>            | <b>53,929</b>  |
| Adjustments between accounting & funding basis under regulations (Note 8) | (46,328)             | 0                  | (653)                     | (272)                    | (47,253)              | 47,253                  | 0              |
| <b>Net (increase)/decrease before Transfers to Earmarked Reserves</b>     | <b>4,140</b>         | <b>0</b>           | <b>(653)</b>              | <b>(272)</b>             | <b>3,215</b>          | <b>51,271</b>           | <b>53,929</b>  |
| Transfer to or from Earmarked Reserves (Note 9)                           | (4,566)              | 4,566              | 0                         | 0                        | 0                     | 0                       | 0              |
| <b>(Increase)/Decrease in-year</b>  | <b>(425)</b>         | <b>4,566</b>       | <b>(653)</b>              | <b>(272)</b>             | <b>2,658</b>          | <b>51,271</b>           | <b>53,929</b>  |
| <b>Balance carried forward 31st March 2025</b>                            | <b>(3,508)</b>       | <b>(52,179)</b>    | <b>(2,681)</b>            | <b>(1,778)</b>           | <b>(60,147)</b>       | <b>367,190</b>          | <b>307,044</b> |

## Movement in Reserves Statement (continued)

| 2023/24 Restated*   | General Fund Balance | Earmarked Reserves | Capital Receipts Reserves | Capital Grants Unapplied | Total Usable Reserves | Total Unusable Reserves | Total Reserves |
|---|----------------------|--------------------|---------------------------|--------------------------|-----------------------|-------------------------|----------------|
|   | £'000                | £'000              | £'000                     | £'000                    | £'000                 | £'000                   | £'000          |
| <b>Balance brought forward 1st April 2023</b>                             | <b>(2,083)</b>       | <b>(68,770)</b>    | <b>(1,536)</b>            | <b>(1,777)</b>           | <b>(74,166)</b>       | <b>203,791</b>          | <b>129,625</b> |
| (Surplus)/Deficit on provision of services                                | 149,141              | 0                  | 0                         | 0                        | 149,141               | 0                       | 149,141        |
| Other Comprehensive Income and Expenditure                                | 0                    | 0                  | 0                         | 0                        | 0                     | (25,552)                | (25,552)       |
| <b>Total Comprehensive Income and Expenditure</b>                         | <b>149,141</b>       | <b>0</b>           | <b>0</b>                  | <b>0</b>                 | <b>149,141</b>        | <b>(25,552)</b>         | <b>123,589</b> |
| Adjustments between accounting & funding basis under regulations (Note 8) | (138,116)            | 0                  | (493)                     | 272                      | (138,337)             | 138,337                 | 0              |
| <b>Net (increase)/decrease before Transfers to Earmarked Reserves</b>     | <b>11,025</b>        |                    | <b>(493)</b>              | <b>272</b>               | <b>10,804</b>         | <b>112,785</b>          | <b>123,589</b> |
| Transfer to or from Earmarked Reserves (Note 9)                           | (12,025)             | 12,025             | 0                         | 0                        | 0                     | 0                       | 0              |
| <b>(Increase)/Decrease in-year</b>  | <b>(1,000)</b>       | <b>12,025</b>      | <b>(493)</b>              | <b>272</b>               | <b>10,804</b>         | <b>112,785</b>          | <b>123,589</b> |
| <b>Balance carried forward 31st March 2024</b>                            | <b>(3,083)</b>       | <b>(56,745)</b>    | <b>(2,029)</b>            | <b>(1,505)</b>           | <b>(63,362)</b>       | <b>316,576</b>          | <b>253,214</b> |

\* Prior year restatement details provided in Note 41

# 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 24<br>Restated* |                              |       | 31 Mar 25          |
|------------------------|------------------------------|-------|--------------------|
| £'000                  |                              | Notes | £'000              |
| 183,310                | Property, Plant & Equipment  | 13    | 138,030            |
| 203                    | Heritage Assets              | 14    | 196                |
| 613,366                | Investment Property          | 15    | 583,106            |
| 381                    | Intangible Assets            | 16    | 531                |
| 35,151                 | Long-term Investments        | 17    | 2,965              |
| 31,114                 | Long-term Receivables        | 19    | 45,089             |
| <b>863,525</b>         | <b>Long-term Assets</b>      |       | <b>769,917</b>     |
| 384                    | Short-term Investments       | 19    | 8,046              |
| 0                      | Assets held for Sale         | 22    | 17,006             |
| 20                     | Inventories                  | 18    | 26                 |
| 10,287                 | Short-term Receivables       | 20    | 18,416             |
| 9,814                  | Cash & Cash Equivalents      | 21    | 9,355              |
| <b>20,505</b>          | <b>Current Assets</b>        |       | <b>52,849</b>      |
| (33,877)               | Short-term Borrowing         | 19    | (26,969)           |
| (23,342)               | Short-term Payables          | 23    | (23,196)           |
| 0                      | Bank Overdraft               | 23    | (249)              |
| (1,234)                | Short-term Provisions        | 24    | 0                  |
| (15,627)               | Receipts in Advance          | 23    | (21,647)           |
| (304)                  | Lease Liabilities            | 36    | (505)              |
| <b>(74,409)</b>        | <b>Current Liabilities</b>   |       | <b>(72,566)</b>    |
| (1,054,191)            | Long-term Borrowing          | 19    | (1,042,272)        |
| (6,151)                | Pension Scheme Liabilities   | 37    | (10,461)           |
| (621)                  | S106 Liabilities             | 33    | (417)              |
| 0                      | Long-term Provisions         | 24    | (2,156)            |
| (1,871)                | Lease Liabilities            | 36    | (1,937)            |
| <b>(1,062,834)</b>     | <b>Long-term Liabilities</b> |       | <b>(1,057,243)</b> |
| <b>(253,213)</b>       | <b>Net Liabilities</b>       |       | <b>(307,043)</b>   |

\* Prior year restatement details provided in Note 41

Signed  
Mr Terry Collier  
CPFA, CA  
Section 151 Officer,  
Chief Finance Officer,  
Interim Chief Executive,  
Spelthorne Borough Council

Dated: 24/02/2026

|                |                       |    |                |
|----------------|-----------------------|----|----------------|
| (63,362)       | Usable Reserves       | 25 | (60,146)       |
| 316,575        | Unusable Reserves     | 26 | 367,190        |
| <b>253,213</b> | <b>Total Reserves</b> |    | <b>307,043</b> |

# Cash Flow Statement

The Cash Flow Statement 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.

| <b>2023/24</b>   |   |       | <b>2024/25</b> |
|------------------|---|-------|----------------|
| <b>Restated*</b> |   |       |                |
| £'000            |   | Notes | £'000          |
| 149,141          | Surplus on the Provision of Services  |       | 50,468         |
| (144,813)        | Adjustments to surplus on the Provision of Services for non-cash movements                      |       | (54,285)       |
| (1,160)          | Adjustments to surplus on the Provision of Services that are Investing and Financing Activities |       | (12,801)       |
| 3,168            | Net Cash Flow from Operating Activities   | 27    | (16,619)       |
| 22,984           | Net Cash Flows from Investing Activities  | 28    | (2,065)        |
| 7,924            | Net Cash Flows from Financing Activities  | 29    | 19,143         |
| <b>34,076</b>    | <b>Net (increase)/decrease in Cash &amp; Cash Equivalents</b>                                   |       | <b>459</b>     |
| 43,890           | Cash & Cash Equivalents at the beginning of the reporting period                                |       | 9,814          |
| (34,076)         | Net increase/(decrease) in Cash & Cash Equivalents  |       | (459)          |
| <b>9,814</b>     | <b>Cash &amp; Cash Equivalents at the end of the reporting period</b>                           | 21    | <b>9,355</b>   |

\* Prior year restatement details provided in Note 41

# Notes to the Core Financial Statements

# Note 1 Accounting Policies

## i. General Principles

The statement of accounts summarises the Council's transactions for the 2024/25 financial year and its position at the year-end of 31 March 2025. The Council is required to prepare an annual statement of accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices under Section 12 of the 2003 Act primarily comprise Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (The Code), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act.

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.

The statement of accounts has been prepared on a going concern basis, under the assumption that the Council's functions and services will continue in operational existence for the foreseeable future. Spelthorne Borough Council's accounts are drawn up under the

Code, which requires local authorities to prepare their financial statements on a going concern basis. The provisions in the Code in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting. This assumption is based on the fact that local authorities carry out functions essential to the local community, exist by statute and are themselves revenue-raising bodies.

The concept of a going concern assumes that Council's functions and services will continue in operational existence for the foreseeable future. If an authority was in financial difficulty, the prospects are that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year.

The Code confirms that the abolition of an authority, combinations of public sector bodies or the transfer of some of its services, under situations such as Local Government Reorganisation, are not to be taken as negating the presumption of going concern.

## ii. 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:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- 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.
- 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.
- 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.
- 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 in financing and investment income and expenditure for the income that might not be collected.

### iii. 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 than three months or less from the date of acquisition 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.

### iv. 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 not material or 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.

### v. Charges to Revenue for Non-current Assets

Services, support services and trading accounts are charged on accounting estimate of the cost of holding non-current assets during the year. This comprises:

- depreciation attributable to the assets used by the relevant service
- 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

- amortisation of intangible assets attributable to the service.

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 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.

### vi. 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 (for NDR) share proportionately the risks and rewards that the amount of Council Tax and NDR collected could be less or more than predicted.

### **Accounting for Council Tax and NDR**

The Council Tax and NDR income included in the Comprehensive Income and Expenditure Statement (CIES) 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 CIES 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.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be

made, the asset is written down and a charge made to the taxation and non-specific grant income and expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

## **vii. Employee Benefits**

### **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 (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. 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 to the Accumulated Absences Account so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

### **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.

### **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

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

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

Liabilities are discounted to their value at current prices, using a discount rate of 5.8% (derived from a “Hymans Robertson” corporate bond yield curve based on 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
- Unquoted securities – professional estimate
- Unitised securities – current bid price
- Property – market value.

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

Service cost comprising:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- past service cost – the increase in liabilities 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.

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 arose on the Pensions Reserve in 2023-24 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. In 2024-25 the Fund moved into surplus.

### **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.

### **viii. 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:

- 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
- 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.

## **ix. Financial Instruments**

### **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 (CIES) for interest payable are based

on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the 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 CIES is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The 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 CIES to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

### **Financial assets**

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

characteristics. The Council holds 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).

#### **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 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.

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.

#### **Financial assets measured at fair value through other comprehensive income**

Financial assets that are measured at FVOCI 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 arise in other comprehensive income.

#### **Fair value measurements of financial assets**

Fair value of an asset is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurements of the Council's 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:

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

## x. 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.

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.

### Business improvement districts

A business improvement district (BID) scheme relates to Staines. The scheme is funded by a BID levy paid by non-domestic ratepayers. The Council act as principal under the scheme, and accounts for income and expenditure incurred (including contributions to the BID project) within the relevant services within the Comprehensive Income and Expenditure Statement.

### Community infrastructure levy

The Council has elected to charge a community infrastructure levy (CIL) scheme. 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.

The CIL is recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement as a contribution without outstanding conditions. 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.

## xi. Heritage Assets

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.

The Council's heritage assets largely comprise items of civic regalia as well as war memorials and statues, which are held in support of their primary objective of contributing to knowledge a culture and appreciation of the Council's history and local area. Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment.

Where the Council has information on the cost or value of a heritage asset the Council will include that value in its 2024/25 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 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.

## xii. 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) in the Comprehensive Income and Expenditure Statement. Any gains or loss arising on the

disposal or abandonment of an intangible asset is posted to the other operating expenditure line in the Comprehensive Income and Expenditure Statement.

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.

### **xiii. 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.

The Council has a material interest in the wholly owned companies Knowle Green Estates Limited and Spelthorne Direct Services. This interest is disclosed in Related Parties disclosure notes.

### **xiv. Inventories**

Inventories are valued at the latest price paid. This is a departure from the requirements of the Code and IAS2 (Inventories), which requires stocks to be shown at actual cost or net realisable value, if lower. The difference in value is not considered to be material.

### **xv. Long-term Contracts**

Long-term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the consideration allocated to the performance obligations satisfied based on the goods or services transferred to the service recipient during the financial year.

### **xvi. 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.

### **xvii. Leases**

#### **The authority as lessee**

The authority classifies contracts as leases based on their substance. Contracts and parts of contracts, including those described as contracts for services, are analysed to determine whether they convey the right to control the use of an identified asset, through rights both to obtain substantially all the economic benefits or service potential from that asset and to direct its use. The code expands the scope of IFRS 16

Leases to include arrangements with nil consideration, peppercorn or nominal payments.

### Initial measurement

Leases are recognised as right-of-use assets with a corresponding liability at the date from which the leased asset is available for use (IFRS 16 transition date, if later). The leases are typically for fixed periods in excess of one year but may have extension options.

The Council initially recognises lease liabilities measured at the present value of the lease payments, discounting by applying the Council's incremental borrowing rate wherever the interest rate implicit in the lease cannot be determined. Lease payments included in the measurement of the lease liability include:

- fixed payments, including in-substance fixed payments
- variable lease payments that depend on an index or rate, initially measured using the prevailing index or rate as at the adoption date
- amounts expected to be payable under a residual value guarantee
- the exercise price under a purchase option that the Council is reasonably certain to exercise

- lease payments in an optional renewal period if the authority is reasonably certain to exercise an extension option
- penalties for early termination of a lease unless the Council is reasonably certain not to terminate early.

The right-of-use asset is measured at the amount of the lease liability cost, adjusted for any prepayments made, plus any direct costs incurred to dismantle and remove the underlying asset or restore the underlying asset on the site on which it is located, less any lease incentives received. However, for peppercorn, nominal payments or nil consideration leases, the asset is measured at fair value.

### Subsequent measurement

The right-of-use asset is subsequently measured using the fair value model. The Council considers the cost model to be a reasonable proxy except for:

- assets held under non-commercial leases
- leases where rent reviews do not necessarily reflect market conditions
- leases with terms of more than five years that do not have any provision for rent reviews

- leases where rent reviews will be at periods of more than five years

For these leases, the asset is carried at a revalued amount. In these financial statements, right-of-use assets held under index-linked leases have been adjusted for changes in the relevant index, while assets held under peppercorn or nil consideration leases have been valued using market prices or rentals for equivalent land and properties.

The right-of-use asset is depreciated straight-line over the shorter period of remaining lease term and useful life of the underlying asset as at the date of adoption.

The lease liability is subsequently measured at amortised cost, using the effective interest method. The liability is remeasured when:

- there is a change in future lease payments arising from a change in index or rate
- there is a change in the group's estimate of the amount expected to be payable under a residual value guarantee
- the Council changes its assessment of whether it will exercise a purchase, extension or termination option, or

- there is a revised in-substance fixed lease payment.

With such a remeasurement occurs, a corresponding adjustment is made to the carrying amount of the right-of-use asset, with any further adjustment required from remeasurement being recorded in the income statement.

### Low value and short-term lease exemption

As permitted by the Code, the Council excludes leases:

- for low-value items that cost less than £10,000 when new, provided they are not highly dependent on or integrated with other items, and
- with a term shorter than 12 months (comprising the non-cancellable period plus any extension options that the Council is reasonably certain to exercise and any termination options that the authority is reasonably certain not to exercise).

### Lease expenditure

Expenditure in the Comprehensive Income and Expenditure Statement includes interest, straight-line depreciation, any asset impairments and changes in variable lease payments not included in the measurement of the liability during the period in which the triggering even

occurred. Lease payments are debited against the liability. Rentals for leases of low-value items are shorter than 12 months are expensed.

Depreciation and impairments are not charges against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

### The authority as lessor

Leases are classified as finance leases where 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.

### Finance leases

Where the authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or asset held for sale) is written off to the other operating expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing

the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivables are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement).

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

reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

### Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the other operating expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease or where this is initiated by a service to the individual service, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

## xviii. 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.

## xix. 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.

### 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.

### Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- 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.

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

- infrastructure, community assets and assets under construction – depreciated historical cost
- 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. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.

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.

### 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.

### 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.

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.

### **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. 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). 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.

## **xx. Provisions, Contingent Liabilities and Contingent Assets**

## Provisions

Provisions are made where an event has taken place on or before the Balance sheet date:

- that gives the Council a present obligation
- that probably requires settlement by a transfer of economic benefits or service potential, and
- where a reliable estimate can be made of the amount of the obligation.

If it is not clear whether an event has taken place on or before the Balance Sheet date, it is deemed to give rise to a present obligation if, taking account of all available evidence, it is more likely than not that a present obligation exists at the Balance Sheet date. The present obligation can be legal or constructive.

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.

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.

## 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.

## 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.

## xxi. 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.

## xxii. 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.

### **xxiii. Value Added Tax (VAT)**

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

### **xxiv. Fair Value Measurement of Non-Financial Assets**

The Council's accounting policy for fair value measurement of financial assets is set out in note ix. The Council also 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:

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

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.

### **xxv. Rounding**

It is not the Council's policy to adjust for immaterial cross-casting differences between the main statements and disclosure notes.

## Note 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 2025-26, where material:

The standards introduced include:

- Amendments to *IAS 21 The Effects of Changes in Foreign Exchange Rates (Lack of Exchangeability)* clarify how an entity should assess whether the currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking, as well as require the disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable. It is anticipated that this will not have a material impact on the Council's financial statements.
- *IFRS 17 Insurance Contracts* replaces IFRS 4 and sets out principles for recognition, measurement, presentation and disclosure of insurance contracts. This will only be a matter if the Council has issued a number of insurance contracts that will require accounting for as a portfolio. The Council does not have such contracts.
- The changes to the measurement of non-investment assets within *IAS 16 Property, Plant and Equipment* and *IAS 38 Intangible Assets*. These include setting out three revaluation processes for operational property, plant and equipment, requiring indexation for tangible non-investment assets and a requirement to value intangible assets using the historical cost approach rather than fair value. For 2024/25, there has been a general requirement that assets are revalued sufficiently regularly so that their carrying amount at 31 March does not differ materially from their current value at that date. This will be replaced by an option to revalue assets every five years, subject to annual reviews for impairment and the updating of carrying amounts by the application of relevant indices. No adjustments to carrying amounts will be required at 1 April 2025. As indices for 2025/26 will not be available until after 31 March 2026, it is not possible to project what the impact of indexation will be. There will not be a material impact on the Council intangible assets as they are not measured at fair value where an active market exists.

## Note 3 Critical Judgement in Applying Accounting Policies

In applying the accounting policies set out on in Note 1, 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 in relation to interest in Council owned subsidiary companies.

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 Limited is material to the Council's overall financial position and therefore their accounts have been consolidated within the Council's Group Accounts.

## Note 4 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 taking into account historical experience, current trends and other relevant factors. The assumptions and other sources of estimation uncertainty disclosed below relate to the estimates that require the authority's most difficult, subjective or complex judgements. As the number of variables and assumptions affecting the possible future resolution of the uncertainties increases, those judgements become more subjective and complex. As a result, balances cannot be determined with certainty and actual results could be materially different from the assumptions and estimates.

The items in the authority's Balance Sheet at 31 March 2025 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

| Item  | Uncertainties  | Effect if Actual Results differ from Assumptions   |
|---|--|--|
| <b>Property, Plant and Equipment and Fair Value of Surplus Assets</b> | Asset valuations are based on Current Value and are periodically reviewed to ensure that the Council does not materially misstate its non-current assets. The Council's external valuers provided valuations as at 31 March 2025 for approximately 33% of its operational portfolio. The remaining balance of operational properties were also reviewed to ensure values reflect current values. The Council's valuers use a combination of methodologies to value operational assets. This includes Depreciated Replacement Cost (DRC), Existing Use Value (EUV) and comparable methods. These methods can cause estimation uncertainty due to the indices and inputs (such as floor area) that must be used to apply valuations. The estimated remaining useful life of all operational assets is reviewed annually based on the advice from the Council external valuers. | <p>A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement. If the value of the Council's operational properties were to reduce by 10%, this would result in a charge to the Comprehensive Income and Expenditure Statement (CIES) of approximately £12.8m.</p> <p>An increase in estimated valuations would result in increases to the Revaluation Reserve and / or reversals of previous negative revaluations to the Comprehensive Income and Expenditure Statement and / or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement. Depreciation charges for operational buildings will change in direct relation to changes in estimated current value. The net book value</p> |

Our operational properties valuers Wilkes Head & Eves have not advised us of any material valuation uncertainties this year. The Council holds £2.6m of Surplus Assets that are valued at fair value. The assets have been valued by Wilkes Head & Eves.

of non-current operational assets subject to potential revaluation is £128.3m.

**Pensions Net Asset/  
Liability**

Estimation of the net pension asset / liability to pay pensions depends on a number of 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. At this stage, it is too early to estimate and factor in any impacts of reorganisation process on the net liabilities of the Pension Fund. Surrey Pension Fund have engaged a firm of consulting actuaries who provide the Council with expert advice about the assumptions to be applied.

The net pension asset of £13.5m at 31 March 2025 has been calculated (before the effect of asset ceiling is applied) and this compares with the net liability of £6.1m at 31 March 2024. Once the asset ceiling of £23.9m has been applied, the net pension liability is £10.4m in 2024/25.

When a net pension asset is calculated, there is a restriction on the recognition of that asset to the estimated future benefit from that asset in reduced pension contributions. The calculation of this net pension asset ceiling is also subject to actuarial assumptions.

The effects on the net pension's liability of changes in individual assumptions can be measured. For example, a 0.1% decrease in the real discount rate assumption would result in an increase in the pension liability by £1.65m (2023/24: £2m). However, the assumptions interact in complex ways. A 1-year increase in member life expectancy would increase the liability by £4.1m (2023/24: £4.7m). Similarly, a 0.1% increase in the salary rate or in the pension increase rate would increase the liability by £76k (2023/24: £89k) and £1.62m (2023/24: £1.9m) respectively.

**Fair Value Measurement  
of Investment  
Properties and Assets  
Held For Sale**

The Council employees valuers Knight Frank to value the investment property portfolio annually. The valuation techniques used take into account lease profile, tenant covenant, rent status and location.

The investment properties not held for sale were valued at £583.1m at 31 March 2025. The effect of a 1% change in the carrying value of the investment property portfolio would result in an additional debit/credit to the CIES of £5.8m (2023/24: £6.3m)

This involves developing estimates and assumptions consistent with how market participants would price the

property. The valuers base their assumptions on observable data as far as possible, but this is not always available, in which case the valuers use the best information available.

The key inputs which would impact on the value of the portfolio are market rent yield, vacancy rates and void periods and capitalisation rate.

**Provision for NNDR  
Rateable Loss**

The Council makes an allowance in its Collection Fund for a reduction in rateable value for businesses that follow the Check, Challenge and Appeal process for their business rates liability. The outcome of outstanding appeals remains uncertain and are determined independently by the Valuation Office Agency.

Estimation of the likelihood of successful checks and challenges against the business ratepayer's rateable value has been calculated using a combination of information from the Valuation Office Agency and the notional reduction built into the multiplier by central government for the 2023 rating listing. If a rate payer is unsuccessful with this process, they can appeal to the Valuation Office Tribunal. It is impractical to quantify the potential cost as this each appeal is on individual rate payer circumstances. The Collection Fund currently holds a £6.2m appeals provision. The Council's share of the provision is £2.48m.

A 10% variance against the current estimate would result in a +/- £0.62m movement in the appeals provision, of which the Council's share would be £0.248m..

## Note 5 Material Items of Income and Expense

The major item of expenditure included in the Comprehensive Income and Expenditure Account is Housing Benefits which was £19.4m (2023/24: £20.5m). However, this expenditure is largely recovered by the receipt of subsidy from central Government, £19.2m (2023/24: £20.3m), so the net cost to the Council is minimal.

## Note 6 Events After Reporting Date

The draft Statement of Accounts was authorised for issue by the Chief Finance Officer and Deputy Chief Executive on 30 June 2025. 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 2025, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Local Government Reorganisation (LGR) - as Surrey has been selected for the 'first wave' of reorganisation and devolution, and May's County Council elections have been delayed, it is likely that elections for any new unitary councils would take place in 2026, with a Mayoral election in 2027. Nine district and borough councils support the formation of three unitary councils (Spelthorne, Epsom & Ewell, Guildford, Reigate & Banstead, Runnymede, Surrey Heath, Tandridge, Waverley and Woking) while two district and borough councils (Elmbridge and Mole Valley) and the county council favour two. On 5 August 2025, Spelthorne Borough Council submitted its response to the Government's consultation on reorganising local government in Surrey, backing the proposal to create three new unitary councils. The Government's final decision was confirmed on 28<sup>th</sup> October 2025 approving a move to a two-unitary model.

## Note 7 Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

| <b>2024/25</b>                      |                                       |   |  |   |   |
|-------------------------------------|---------------------------------------|---|--|---|---|
|                                     | As reported in<br>Narrative<br>Report | Adjustments<br>to arrive at exp<br>charged to GF<br>and HRA<br>balances | Net<br>Expenditure<br>chargeable to<br>the General<br>Fund | Adjustments<br>between the<br>Funding and<br>Analysis Basis | Net<br>Expenditure in<br>the<br>Comprehensive<br>Income and<br>Expenditure<br>Statement |
|                                     | £'000                                 | £'000   | £'000  | £'000   | £'000   |
| Community Wellbeing & Housing       | 14,128                                | (9,973)   | 4,155  | (17,735)  | 21,890  |
| Corporate Policy and Resources      | 7,662                                 | (19,933)  | (12,271)   | (24,571)  | 12,301  |
| Environment & Sustainability        | 8,309                                 | (21,323)  | (13,014)   | (23,698)  | 10,684  |
| Business Infrastructure-Growth      | 3,025                                 | 17,104  | 20,129   | (5,045)   | 25,174  |
| <b>Net Cost of Services</b>         | <b>33,124</b>                         | <b>(34,125)</b>   | <b>(1,001)</b>   | <b>(71,049)</b>   | <b>70,048</b>   |
| Other Income and Expenditure        | (33,124)                              | 38,264  | 5,140  | 24,721  | (19,581)  |
| <b>(Surplus) or Deficit</b>         | <b>0</b>                              | <b>4,140</b>  | <b>4,140</b>   | <b>(46,328)</b>   | <b>50,468</b>   |
| Opening General Fund Balance        |                                       |   | (59,829)   |   |   |
| <b>Closing General Fund Balance</b> |                                       |   | <b>(55,689)</b>  |   |   |

**2023/24**

|                                     | As reported in<br>Narrative<br>Report | Adjustments<br>to arrive at exp<br>charged to GF<br>and HRA<br>balances | Net<br>Expenditure<br>chargeable to<br>the General<br>Fund | Adjustments<br>between the<br>Funding and<br>Analysis Basis | Net Expenditure<br>in<br>the<br>Comprehensive<br>Income and<br>Expenditure<br>Statement |
|-------------------------------------|---------------------------------------|---|--|---|---|
|                                     | £'000                                 | £'000   | £'000  | £'000   | £'000   |
| Community Wellbeing & Housing       | 3,430                                 | (30,228)  | (26,798)   | (35,387)  | 8,589   |
| Corporate Policy and Resources      | 11,306                                | (51,732)  | (40,426)   | (49,029)  | 8,603   |
| Environment & Sustainability        | 1,404                                 | (40,337)  | (38,933)   | (47,287)  | 8,353   |
| Business Infrastructure-Growth      | 6,054                                 | 2,202   | 8,256  | (10,067)  | 18,323  |
| <b>Net Cost of Services</b>         | <b>22,194</b>                         | <b>(120,095)</b>  | <b>(97,901)</b>  | <b>(141,770)</b>  | <b>43,869</b>   |
| Other Income and Expenditure        | (22,194)                              | 131,119   | 108,925  | 3,563   | 105,272   |
| <b>(Surplus) or Deficit</b>         | <b>0</b>                              | <b>11,024</b>   | <b>11,024</b>  | <b>(138,117)</b>  | <b>149,141</b>  |
| Opening General Fund Balance        |                                       |   | (70,853)   |   |   |
| <b>Closing General Fund Balance</b> |                                       |   | <b>(59,829)</b>  |   |   |

# Note 7.1 Expenditure and Funding Analysis Reconciliation

| 2023/24                          |                                    |                   |                   |  | 2024/25                          |                                    |                   |                   |
|----------------------------------|------------------------------------|-------------------|-------------------|--|----------------------------------|------------------------------------|-------------------|-------------------|
| Adjustments for Capital Purposes | Net Change for Pension Adjustments | Other Adjustments | Total Adjustments |  | Adjustments for Capital Purposes | Net Change for Pension Adjustments | Other Adjustments | Total Adjustments |
| £'000                            | £'000                              | £'000             | £'000             |  | £'000                            | £'000                              | £'000             | £'000             |
| (35,375)                         | 6                                  | (19)              | (35,387)          | Community Wellbeing & Housing  | (17,882)                         | 134                                | 13                | (17,735)          |
| (49,011)                         | 8                                  | (26)              | (49,029)          | Corporate Policy and Resources   | (24,775)                         | 186                                | 18                | (24,571)          |
| (47,270)                         | 8                                  | (25)              | (47,287)          | Environment & Sustainability   | (23,895)                         | 180                                | 17                | (23,698)          |
| (10,063)                         | 2                                  | (5)               | (10,067)          | Business Infrastructure-Growth   | (5,087)                          | 38                                 | 4                 | (5,045)           |
| <b>(141,719)</b>                 | <b>24</b>                          | <b>(75)</b>       | <b>(141,770)</b>  | <b>Net Cost of Services</b>  | <b>(71,639)</b>                  | <b>538</b>                         | <b>52</b>         | <b>(71,049)</b>   |
| 9,669                            | 0                                  | (6,016)           | 3,653             | Other income and expenditure from the Expenditure and Funding Analysis   | 22,079                           | 0                                  | 2,642             | 24,721            |
| <b>(132,050)</b>                 | <b>24</b>                          | <b>(6,091)</b>    | <b>(138,117)</b>  | <b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b> | <b>(49,560)</b>                  | <b>538</b>                         | <b>2,694</b>      | <b>(46,328)</b>   |

## Adjustments for capital purposes

Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Financing and investment income and expenditure – the statutory charges for capital financing i.e. minimum revenue provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivables in the year to those receivables without conditions or for which conditions were satisfied throughout the year. The taxation and non-specific grant income and expenditure line is credited with capital

grants receivable in the year without conditions or for which conditions were satisfied in the year

## Net change for the pension adjustments

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the CIES

## Other statutory adjustments

Other statutory adjustments between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For financing and investment income and expenditure the other statutory

adjustments column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

- For financing and investment income and expenditure the other non-statutory adjustments column recognises adjustments to service segments, e.g. for interest income and expenditure and changes in the fair values of investment properties.
- The charge under taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for Council Tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future surpluses or deficits on the collection fund.
- For taxation and non-specific grant income and expenditure the other non-statutory adjustments column recognises adjustments to service segments, e.g. for un-ringfenced government grants.

## Note 7.2 Expenditure and Income Analysed by Nature

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

|  | 2023/24          | 2024/25          |
|--|------------------|------------------|
|  | £'000            | £'000            |
| <b>Expenditure</b>                                       |                  |                  |
| Employees benefits expenses                              | 22,903           | 24,129           |
| Other Service Expenses                                   | 202,024          | 92,304           |
| Depreciation, Amortisation and Impairment                | 6,442            | 39,382           |
| Interest Payments  | 24,952           | 25,745           |
| <b>Total Expenditure</b>                                 | <b>256,322</b>   | <b>181,559</b>   |
| <b>Income</b>  |                  |                  |
| Fees, Charges and Other Service Income                   | (14,033)         | (19,897)         |
| Interest and Investment Income                           | (51,449)         | (48,771)         |
| Income from Council Tax and Business Rates               | (8,136)          | (14,768)         |
| Government Grants and Contributions                      | (33,563)         | (47,655)         |
| <b>Total Income</b>                                      | <b>(107,181)</b> | <b>(131,091)</b> |
| <b>(Surplus) or Deficit on the Provision of Services</b> | <b>149,141</b>   | <b>50,468</b>    |

# Note 8 Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments are made to the Comprehensive Income and Expenditure Statement recognised by the Council in the year, in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

## Note 8 Adjustments between Accounting Basis and Funding Basis under Regulations (continued)

| 2024/25  | General<br>Fund<br>Balance | Capital<br>Receipts<br>Reserve | Capital<br>Grants<br>Unapplied | Movement<br>in<br>Unusable<br>Reserves | Relevant Unusable<br>Reserve                             |
|--|----------------------------|--------------------------------|--------------------------------|--|--|
| <b><u>Reversal of items debited or credited to the CIES</u></b>                      | £'000                      | £'000                          | £'000                          | £'000                                  |  |
| Depreciation, Amortisation and Impairments   | (39,382)                   | 0                              | 0                              | 39,382                                 |  |
| Movements in the market value of Investment Properties                               | (30,260)                   | 0                              | 0                              | 30,260                                 | Capital Adjustment<br>Account                            |
| Revenue expenditure funded from capital under statute                                | (1,564)                    | 0                              | 0                              | 1,564                                  |  |
| Non-current assets written out on disposal   | (433)                      | 0                              | 0                              | 433                                    |  |
| Grant income transferred to Capital Grants Unapplied                                 | 2,105                      | 0                              | (2,105)                        | 0                                      |  |
| <b><u>Transfers between revenue and capital resources</u></b>                        |                            |                                |                                |  |  |
| Transfer of sale proceeds from revenue to the Capital Receipts Reserve               | 368                        | (368)                          | 0                              | 0                                      | Deferred Capital<br>Receipts Reserve                     |
| Minimum Revenue Provision  | 19,268                     | 0                              | 0                              | (19,268)                               | Capital Adjustment<br>Account                            |
| Capital expenditure charged to revenue balances                                      | 338                        | 0                              | 0                              | (338)                                  |  |
| <b><u>Adjustments to capital resources</u></b>                                       |                            |                                |                                |  |  |
| Application of capital grants and other contributions to finance capital expenditure | 0                          | 0                              | 1,833                          | (1,833)                                | Capital Adjustment<br>Account                            |
| Cash payments in relation to Deferred Capital Receipts                               | 0                          | (285)                          | 0                              | 285                                    | Deferred Capital<br>Receipts Reserve                     |
| <b><u>Adjustments between accounting and funding basis under regulations</u></b>     |                            |                                |                                |  |  |
| Statutory adjustments in respect of employers pension contributions                  | 538                        | 0                              | 0                              | (538)                                  | Pension Reserve<br>Collection Fund<br>Adjustment Account |
| Council Tax and NNDR   | 2,642                      | 0                              | 0                              | (2,642)                                |  |
| Holiday pay  | 52                         | 0                              | 0                              | (52)                                   | Accumulated<br>Absences Reserve                          |
| <b>Total Adjustments</b>   | <b>(46,328)</b>            | <b>(653)</b>                   | <b>(272)</b>                   | <b>47,253</b>                          |  |

## Note 8 Adjustments between Accounting Basis and Funding Basis under Regulations (continued)

| 2023/24<br>Restated  | General<br>Fund<br>Balance | Capital<br>Receipts<br>Reserve | Capital<br>Grants<br>Unapplied | Movement<br>in<br>Unusable<br>Reserves | Relevant Unusable<br>Reserve                             |
|--|----------------------------|--------------------------------|--------------------------------|--|--|
| <b><u>Reversal of items debited or credited to the CIES</u></b>                      | £'000                      | £'000                          | £'000                          | £'000                                  |  |
| Depreciation, Amortisation and Impairments   | (6,442)                    | 0                              | 0                              | 6,442                                  |  |
| Movements in the market value of Investment Properties                               | (129,840)                  | 0                              | 0                              | 129,840                                | Capital Adjustment<br>Account                            |
| Revenue expenditure funded from capital under statute                                | (1,223)                    | 0                              | 0                              | 1,223                                  |  |
| Non-current assets written out on disposal   | (10,597)                   | 0                              | 0                              | 10,597                                 |  |
| Grant income transferred to Capital Grants Unapplied                                 | 1,625                      | 0                              | (1,625)                        | 0                                      |  |
| <b><u>Transfers between revenue and capital resources</u></b>                        |                            |                                |                                |  |  |
| Transfer of sale proceeds from revenue to the Capital Receipts Reserve               | (2,139)                    | (238)                          | 0                              | 2,377                                  | Deferred Capital<br>Receipts Reserve                     |
| Minimum Revenue Provision  | 12,397                     | 0                              | 0                              | (12,397)                               | Capital Adjustment<br>Account                            |
| Capital expenditure charged to revenue balances                                      | 1,599                      | 0                              | 0                              | (1,599)                                |  |
| <b><u>Adjustments to capital resources</u></b>                                       |                            |                                |                                |  |  |
| Application of capital grants and other contributions to finance capital expenditure | 2,570                      | 0                              | 1,897                          | (4,467)                                | Capital Adjustment<br>Account                            |
| Cash payments in relation to Deferred Capital Receipts                               | 0                          | (255)                          | 0                              | 255                                    | Deferred Capital<br>Receipts Reserve                     |
| <b><u>Adjustments between accounting and funding basis under regulations</u></b>     |                            |                                |                                |  |  |
| Statutory adjustments in respect of employers pension contributions                  | 24                         | 0                              | 0                              | (24)                                   | Pension Reserve<br>Collection Fund<br>Adjustment Account |
| Council Tax and NNDR   | (6,016)                    | 0                              | 0                              | 6,016                                  | Accumulated<br>Absences Reserve                          |
| Holiday pay  | (75)                       | 0                              | 0                              | 75                                     |  |
| <b>Total Adjustments</b>   | <b>(138,117)</b>           | <b>(493)</b>                   | <b>272</b>                     | <b>138,338</b>                         |  |

## Note 9 Transfers to and from Earmarked Reserves

This note sets out the amounts set aside from the General Fund in Earmarked Reserves to provide financing for future expenditure plans and the amounts posted back from Earmarked Reserves to meet General Fund expenditure in 2024/25.

| Movement in Earmarked Reserves                      | Balance at 1 April 2023 | Transfers Out | Transfer In     | Balance at 31 Mar 24 Restated | Transfers Out | Transfers In   | Transfers between Reserves | Balance at 31 Mar 25 |
|---|-------------------------|---------------|-----------------|-------------------------------|---------------|----------------|----------------------------|----------------------|
|   | £'000                   | £'000         | £'000           | £'000                         | £'000         | £'000          | £'000                      | £'000                |
| Revenue Grants Unapplied                            | (5,374)                 | 3,619         | (1,771)         | (3,526)                       | 382           | (3,069)        | 0                          | (6,213)              |
| Capital Fund  | (1,443)                 | 1,443         | 0               | 0                             | 0             | 0              | 0                          | 0                    |
| Insurance Fund                                      | (50)                    | 0             | 0               | (50)                          | 0             | 0              | 0                          | (50)                 |
| Planned Spending Funds                              | (13,478)                | 11,124        | (5,319)         | (7,673)                       | 1,242         | (2,418)        | (1,462)                    | (10,312)             |
| Acquired Properties Funds                           | (37,716)                | 11,640        | (8,345)         | (34,421)                      | 9,411         | (1,251)        | 0                          | (26,261)             |
| Youth Council Fund                                  | (20)                    | 0             | 0               | (20)                          | 0             | 0              | 0                          | (20)                 |
| Local Environmental Assessment Fund                 | (154)                   | 0             | 0               | (154)                         | 0             | 0              | 0                          | (154)                |
| Green Belt Fund                                     | (900)                   | 0             | 0               | (900)                         | 281           | 0              | 0                          | (619)                |
| Harper & White House Accommodation Fund             | (54)                    | 0             | (50)            | (104)                         | 0             | (48)           | 0                          | (153)                |
| Shared Prosperity Fund                              | (59)                    | 59            | 0               | 0                             | 0             | 0              | 0                          | 0                    |
| Woodthorpe Recreation Ground & Fordbridge Park Fund | (80)                    | 0             | 0               | (80)                          | 0             | 0              | 0                          | (80)                 |
| Contributions from Developers                       | (9,443)                 | 405           | (779)           | (9,817)                       | 1,504         | (6)            | 0                          | (8,319)              |
| <b>Earmarked Reserves at 31 March</b>               | <b>(68,771)</b>         | <b>28,290</b> | <b>(16,265)</b> | <b>(56,746)</b>               | <b>12,820</b> | <b>(6,792)</b> | <b>(1,462)</b>             | <b>(52,181)</b>      |

## Note 10 Other Operating Expenditure

|                         | <b>2023/24</b>  | <b>2024/25</b> |
|-------------------------|-----------------|----------------|
|                         | <b>Restated</b> |                |
|                         | £'000           | £'000          |
| Derecognition of assets | 6,368           | (69)           |
| <b>Total</b>            | <b>6,368</b>    | <b>(69)</b>    |

## Note 11 Financing and Investment Income and Expenditure

|   | <b>2023/24</b>  | <b>2024/25</b> |
|---|-----------------|----------------|
|   | <b>Restated</b> |                |
|   | £'000           | £'000          |
| Interest payable and similar charges  | 24,231          | 25,469         |
| Net interest on the net defined benefit liability (asset)                                   | 721             | 276            |
| Interest receivable and similar income  | (4,134)         | (3,123)        |
| Income and expenditure in relation to investment properties and changes in their fair value | 92,220          | (9,545)        |
| <b>Total</b>  | <b>113,038</b>  | <b>13,077</b>  |

# Note 12 Taxation and Non-Specific Grant Income and Expenditure

|   | <b>2023/24</b>  | <b>2024/25</b>  |
|---|-----------------|-----------------|
|   | <b>Restated</b> |                 |
|   | £'000           | £'000           |
| Council Tax Income                        | (9,095)         | (9,597)         |
| Non-Domestic Rates Income and Expenditure | 959             | (5,171)         |
| Non-Ringfenced Government Grants          | (4,838)         | (5,387)         |
| Capital Grants and Contributions          | (1,160)         | (12,433)        |
| <b>Total</b>                              | <b>(14,134)</b> | <b>(32,588)</b> |

# Note 13 Property, Plant and Equipment

## Movement on balances

| 2024/25   | Land & Buildings | Vehicles, Plant & Equipment | Community Assets | Surplus Assets | Assets Under Construction | Right of Use Assets | Total           |
|---|------------------|-----------------------------|------------------|----------------|---------------------------|---------------------|-----------------|
|   | £'000            | £'000                       | £'000            | £'000          | £'000                     | £'000               | £'000           |
| <b>Gross Book Valuation at 1 April</b>  | <b>107,244</b>   | <b>6,354</b>                | <b>202</b>       | <b>35,203</b>  | <b>40,709</b>             | <b>2,479</b>        | <b>192,171</b>  |
| Adjustment  | 110              | 0                           | 0                | 0              | 0                         | 26                  | 136             |
| Additions   | 461              | 285                         | 121              | 0              | 8,196                     | 820                 | 9,883           |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve                     | (973)            | 0                           | 0                | 653            | 0                         | 1,396               | 1,076           |
| Impairment losses reversed in the Surplus/Deficit on the Provision of Services              | (4,681)          | 0                           | 0                | (31,238)       | 0                         | (901)               | (36,820)        |
| De-recognition  | 0                | (925)                       | 0                | 0              | 142                       | 0                   | (783)           |
| Transfer to Assets Held for Sale  | (15,000)         | 0                           | 0                | (2,090)        | 0                         | 0                   | (17,090)        |
| Other movements in cost or valuation  | 44,754           | 0                           | (109)            | 130            | (48,731)                  | 3,956               | 0               |
| <b>Gross Book Valuation at 31 March</b>   | <b>131,915</b>   | <b>5,714</b>                | <b>214</b>       | <b>2,658</b>   | <b>316</b>                | <b>7,776</b>        | <b>148,593</b>  |
| <b>Accumulated Depreciation at 1 April (Restated)</b>                                       | <b>(4,298)</b>   | <b>(4,217)</b>              | <b>(24)</b>      | <b>0</b>       | <b>0</b>                  | <b>(341)</b>        | <b>(8,880)</b>  |
| Reclassification of Depreciation  | 1,738            | 0                           | 0                | 0              | 0                         | (1,738)             | 0               |
| Depreciation for the year   | (1,702)          | (322)                       | (6)              | 0              | 0                         | (723)               | (2,753)         |
| Restatement of Depreciation upon Revaluation to Revaluation Reserve                         | 449              | 0                           | 0                | 0              | 0                         | 0                   | 449             |
| Restatement of Depreciation written out to the Surplus/Deficit on the provision of Services | 278              | 0                           | 0                | 0              | 0                         | 0                   | 278             |
| Restatement of Depreciation upon Disposal   | 0                | 344                         | 0                | 0              | 0                         | 0                   | 344             |
| <b>Accumulated Depreciation at 31 March</b>   | <b>(3,535)</b>   | <b>(4,195)</b>              | <b>(30)</b>      | <b>0</b>       | <b>0</b>                  | <b>(2,802)</b>      | <b>(10,562)</b> |
| <b>Net Book Value at 31 March</b>   | <b>128,380</b>   | <b>1,519</b>                | <b>184</b>       | <b>2,658</b>   | <b>316</b>                | <b>4,974</b>        | <b>138,031</b>  |
| <b>Net Book Value at 1 April</b>  | <b>102,946</b>   | <b>2,137</b>                | <b>178</b>       | <b>35,203</b>  | <b>40,709</b>             | <b>2,138</b>        | <b>183,311</b>  |

## Movement on balances 2023/24

| 2023/24<br>Restated   | Land &<br>Buildings | Vehicles,<br>Plant &<br>Equipment | Community<br>Assets | Surplus<br>Assets | Assets<br>Under<br>Construction | Right<br>of Use<br>Assets | Total           |
|---|---------------------|-----------------------------------|---------------------|-------------------|---------------------------------|---------------------------|-----------------|
|   | £'000               | £'000                             | £'000               | £'000             | £'000                           | £'000                     | £'000           |
| <b>Gross Book Valuation at 1 April</b>  | <b>92,994</b>       | <b>5,773</b>                      | <b>202</b>          | <b>0</b>          | <b>61,162</b>                   | <b>0</b>                  | <b>160,131</b>  |
| Adjustment  | 0                   | 0                                 | 0                   | 0                 | 0                               | 0                         | 0               |
| Additions   | 0                   | 581                               | 0                   | 0                 | 30,248                          | 2,479                     | 33,308          |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve                     | 5,621               | 0                                 | 0                   | 0                 | 0                               | 0                         | 5,621           |
| Impairment losses reversed in the Surplus/Deficit on the provision of services              | (3,619)             | 0                                 | 0                   | 0                 | 0                               | 0                         | (3,619)         |
| De-recognition  | 0                   | 0                                 | 0                   | 0                 | (15,250)                        | 0                         | (15,250)        |
| Transfer to Assets Held for Sale  | 0                   | 0                                 | 0                   | 0                 | 0                               | 0                         | 0               |
| Other movements in cost or valuation  | 12,248              | 0                                 | 0                   | 35,203            | (35,451)                        | 0                         | 12,000          |
| <b>Gross Book Valuation at 31 March</b>   | <b>107,244</b>      | <b>6,354</b>                      | <b>202</b>          | <b>35,203</b>     | <b>40,709</b>                   | <b>2,479</b>              | <b>192,191</b>  |
| <b>Accumulated Depreciation at 1 April</b>  | <b>(11,127)</b>     | <b>(3,778)</b>                    | <b>(18)</b>         | <b>0</b>          | <b>0</b>                        | <b>0</b>                  | <b>(14,923)</b> |
| Reclassification of Depreciation  | 0                   | 0                                 | 0                   | 0                 | 0                               | 0                         | 0               |
| Depreciation for the year   | (1,563)             | (439)                             | (6)                 | 0                 | 0                               | (341)                     | (2,349)         |
| Restatement of Depreciation written out to the Surplus/Deficit on the provision of Services | 8,656               | 0                                 | 0                   | 0                 | 0                               | 0                         | 8,656           |
| Restatement of Depreciation upon Revaluation to I&E and CAA                                 | (264)               | 0                                 | 0                   | 0                 | 0                               | 0                         | (264)           |
| Restatement of Depreciation upon Disposal   | 0                   | 0                                 | 0                   | 0                 | 0                               | 0                         | 0               |
| <b>Accumulated Depreciation at 31 March</b>   | <b>(4,298)</b>      | <b>(4,217)</b>                    | <b>(24)</b>         | <b>0</b>          | <b>0</b>                        | <b>(341)</b>              | <b>(8,880)</b>  |
| <b>Net Book Value at 31 March</b>   | <b>102,947</b>      | <b>2,137</b>                      | <b>178</b>          | <b>35,203</b>     | <b>40,709</b>                   | <b>2,138</b>              | <b>183,311</b>  |
| <b>Net Book Value at 1 April</b>  | <b>81,867</b>       | <b>1,995</b>                      | <b>184</b>          | <b>0</b>          | <b>61,162</b>                   | <b>0</b>                  | <b>145,208</b>  |

## Depreciation

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

- Land - freehold land is not depreciated
- Buildings – 15 to 55 years
- Vehicles, plant furniture & other equipment – 5 years
- IT equipment – 5 years
- Right of use assets – 3 to 125 years

## Capital commitments

At 31 March 2025, the Council has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2024/25 and future years budgeted to cost £2.11m. Similar commitments at 31 March 2024 were £9.7m.

## Effect of changes in estimates

In 2024/25 the Council made no material changes to its accounting estimates for property, plant, and equipment.

## Revaluations

The Council ensures that all property, plant and equipment required to be measured at current value is revalued sufficiently regularly so that their carrying amount is not materially different from their current value at the year-end and so as a minimum every five years. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The Council draws on the expertise of 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.

Valuations of land and buildings carried out at fair value are as follows:

| <b>Revaluations</b>                | Land & Buildings | Vehicles, Plant and Equipment | Community Assets | Surplus Assets | Assets Under Construction | Right of Use Assets | Total          |
|------------------------------------|------------------|-------------------------------|------------------|----------------|---------------------------|---------------------|----------------|
|                                    | £'000            | £'000                         | £'000            | £'000          | £'000                     | £'000               | £'000          |
| Carried at Historical Cost         | 899              | 1,519                         | 184              | 130            | 316                       | 4,974               | 8,022          |
| <b>Held at valuation value in:</b> |                  |                               |                  |                |                           |                     |                |
| 2020/21                            | 8,479            |                               |                  |                |                           |                     | 8,479          |
| 2021/22                            | 27,972           |                               |                  |                |                           |                     | 27,972         |
| 2022/23                            | 0                |                               |                  |                |                           |                     | 0              |
| 2023/24                            | 1,076            |                               |                  |                |                           |                     | 1,076          |
| 2024/25                            | 89,954           |                               |                  | 2,528          |                           |                     | 92,482         |
| <b>Total</b>                       | <b>128,380</b>   | <b>1,519</b>                  | <b>184</b>       | <b>2,658</b>   | <b>316</b>                | <b>4,974</b>        | <b>138,031</b> |

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.

# Note 14 Heritage Assets

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

|                            | 2023/24    | 2024/25    |
|----------------------------|------------|------------|
|                            | £'000      | £'000      |
| <b>Balance at 1 April</b>  | <b>209</b> | <b>203</b> |
| Depreciation               | (6)        | (7)        |
| <b>Balance at 31 March</b> | <b>203</b> | <b>196</b> |

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.

## Note 15 Investment Property

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

|  | <b>2023/24</b>  | <b>2024/25</b> |
|--|-----------------|----------------|
|  | <b>Restated</b> |                |
|  | £'000           | £'000          |
| <b>Balance at 1 April</b>                      | <b>755,205</b>  | <b>613,365</b> |
| Transfer to/from Property, Plant and Equipment | (12,000)        | 0              |
| Losses from fair value adjustments             | (129,840)       | (30,260)       |
| <b>Balance at 31 March</b>                     | <b>613,365</b>  | <b>583,105</b> |

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:

|  | <b>2023/24</b>  | <b>2024/25</b> |
|--|-----------------|----------------|
|  | <b>Restated</b> |                |
|  | £'000           | £'000          |
| Rental income from investment property                     | (47,315)        | (45,649)       |
| Net gains and (losses) from Fair Value Adjustments         | 129,840         | 30,260         |
| Direct operating expenses arising from investment property | 9,695           | 5,843          |
| <b>Total</b>   | <b>92,220</b>   | <b>(9,546)</b> |

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 the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

*\*These tables do not include the Summit Centre and the Elmsleigh Shopping Centre as they are classified as Other Land and Buildings and they are part of the Note 13 Property, Plant and Equipment.*

## Fair value hierarchy

All the Council's investment properties have been value assessed as Level 2 on the fair value hierarchy for valuation purposes.

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2024 and 2025 are as follows:

|              | <b>2023/24</b>  | <b>2024/25</b> |
|--------------|-----------------|----------------|
|              | <b>Restated</b> |                |
|              | £'000           | £'000          |
| Land         | 367,930         | 150,104        |
| Buildings    | 245,435         | 433,001        |
| <b>Total</b> | <b>613,366</b>  | <b>583,106</b> |

## Valuation techniques used to determine Level 2 fair values for investment properties

### Significant observable inputs – Level 2

The fair value of investment property has been based on the market approach using current market conditions and recent sales prices and recent sales prices and other relevant information for similar assets in the local authority 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.

## Valuation process for investment properties

The fair value of the Council's investment properties is measured annually at each reporting date. All valuations are carried out externally, by Knight Frank in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors (revised 2015). The Council's valuation experts work closely with finance officers reporting directly to the chief financial officer on a regular basis regarding all valuation matters.

## Note 16 Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of property, plant and equipment. The intangible assets include both purchased software licenses and internally generated software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to the major software suites used by the Council is five years. The carrying amount of intangible assets is amortised on a straight-line basis.

The movement on intangible asset balances during the year is as follows:

|   | 2023/24    | 2024/25    |
|---|------------|------------|
|   | £'000      | £'000      |
| <b>Net carrying amount at start of year</b> | <b>365</b> | <b>380</b> |
| Additions                                   | 218        | 222        |
| Amortisation                                | (203)      | (78)       |
| Other movements in cost                     | 0          | 6          |
| <b>Net Book Value at 31st March</b>         | <b>380</b> | <b>530</b> |

## Note 17 Long Term Investments

The Council carries a small number of long term investments on its Balance Sheet, primarily with Pooled Fund and Funding Circle. The movements of these investments are as follows:

|                               | 2023/24       | 2024/25       |
|-------------------------------|---------------|---------------|
|                               | £'000         | £'000         |
| <b>Balance as at 1 April</b>  | <b>33,770</b> | <b>35,151</b> |
| Pooled Fund                   | 1,900         | (32,569)      |
| Funding Circle                | 4             | (389)         |
| Other                         | (523)         | 772           |
| <b>Balance as at 31 March</b> | <b>35,151</b> | <b>2,965</b>  |

## Note 18 Inventories

The Council participated in the Local Authority Housing Fund (LAHF) that was launched by Department for Levelling Up, Housing and Communities (DLUHC) in December 2022. The purpose of the scheme was to deliver affordable housing to a number of Afghan and Ukrainian families under resettlement schemes, as well as a small number of temporary accommodation units to assist in meeting housing needs of homeless people in the borough. The purchased properties were transferred to Knowle Green Estates Limited that is owned by the Council, and the company mission is to provide high-quality, affordable, and sustainable housing for Spelthorne residents.

|                             | <b>2023/24</b>  | <b>2024/25</b> |
|-----------------------------|-----------------|----------------|
|                             | <b>Restated</b> |                |
|                             | £'000           | £'000          |
| <b>Balance at 1 April</b>   | <b>35</b>       | <b>20</b>      |
| Purchases - Stock           | 266             | 421            |
| Purchases – LAHF Properties | 6,384           | 21,449         |
| Expensed in year            | (281)           | (415)          |
| Derecognition               | (6,384)         | (21,449)       |
| <b>Balance at 31 March</b>  | <b>20</b>       | <b>26</b>      |

# Note 19 Financial Instruments

## Categories of Financial Instruments

The following categories of financial instruments are carried in the Balance Sheet:

| <b>Non-Current<br/>2023/24</b> | <b>Current<br/>2023/24</b> |                                    | <b>Non-Current<br/>2024/25</b> | <b>Current<br/>2024/25</b> |
|--------------------------------|----------------------------|------------------------------------|--------------------------------|----------------------------|
| £'000                          | £'000                      |                                    | £'000                          | £'000                      |
| <b>Financial Assets</b>        |                            |                                    |                                |                            |
| Assets held at amortised cost: |                            |                                    |                                |                            |
| 35,151                         | 384                        | Investments                        | 2,966                          | 8,046                      |
| 31,114                         | 0                          | Soft loans to third parties        | 45,089                         | 0                          |
| 0                              | 4,540                      | Trade debtors                      | 0                              | 14,974                     |
| 0                              | 9,814                      | Cash and cash equivalents          | 0                              | 9,355                      |
| <b>66,265</b>                  | <b>14,738</b>              | <b>Total Financial Assets</b>      | <b>48,055</b>                  | <b>32,375</b>              |
| <b>Financial Liabilities</b>   |                            |                                    |                                |                            |
| Held at amortised cost:        |                            |                                    |                                |                            |
| (1,054,191)                    | (33,877)                   | Loans outstanding                  | (1,042,272)                    | (26,969)                   |
| (1,871)                        | (304)                      | Finance leases                     | (1,937)                        | (505)                      |
| 0                              | (4,639)                    | Trade creditors                    | 0                              | (5,819)                    |
| 0                              | 0                          | Bank overdraft                     | 0                              | (249)                      |
| <b>(1,056,062)</b>             | <b>(38,820)</b>            | <b>Total Financial Liabilities</b> | <b>(1,044,209)</b>             | <b>(33,542)</b>            |

## Material Soft Loans made by the Council

The Council has made the following material soft loans:

Knowle Green Estates (KGE) Limited (which is a subsidiary company of Spelthorne Borough Council) – has been approved a loan facility to purchase assets and land from the council and to develop these schemes, in accordance with the agreed business plan. The interest rate for this loan is 2.79% and is below commercial rates, hence why it has been recognised as a soft loan in the financial statements. The expected term of the loan is 50 years. There is no expected credit loss facility allowed for in the accounts as the council deems that they will take control of the aforementioned assets to recover any losses.

|                               | 2023/24       | 2024/25       |
|-------------------------------|---------------|---------------|
|                               | £'000         | £'000         |
| <b>Balance as at 1 April</b>  | <b>30,579</b> | <b>30,379</b> |
| Loans repaid                  | (260)         | (290)         |
| Advances made                 | 60            | 14,666        |
| <b>Balance as at 31 March</b> | <b>30,379</b> | <b>44,755</b> |

## 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:

| 2023/24<br>Total | Gains and Losses   | Financial Liabilities               |                   | Financial Assets                           |   | 2024/25<br>Total |
|------------------|--|-------------------------------------|-------------------|--|---|------------------|
|                  |  | Liabilities at<br>Amortised<br>Cost | Amortised<br>Cost | Elected to<br>Fair Value<br>through<br>OCI | Fair Value<br>through<br>Profit &<br>Loss |                  |
| £'000            |  | £'000                               | £'000             | £'000                                      | £'000                                     | £'000            |
| 24,231           | Interest expense   | 25,469                              | 0                 | 0  | 0   | 25,469           |
| (4,134)          | Interest income  | 0                                   | (3,186)           | 0  | 0   | (3,186)          |
| (1,388)          | Dividend income  | 0                                   | 0                 | 0  | (973)                                     | (973)            |
| <b>18,709</b>    | <b>Net impact on surplus/ deficit<br/>on provision of services</b> | <b>25,469</b>                       | <b>(3,186)</b>    | <b>0</b>                                   | <b>(973)</b>                              | <b>21,310</b>    |
|                  | Loss on Revaluation  | 0                                   | 0                 | 0  | 0   | 0                |
| 1,768            | Impact on Other<br>Comprehensive Income                            | 0                                   | 0                 | (251)                                      | 0   | (251)            |
| <b>20,477</b>    | <b>Net Gain/ Loss for the Year</b>                                 | <b>25,469</b>                       | <b>(3,186)</b>    | <b>(251)</b>                               | <b>(973)</b>                              | <b>21,059</b>    |

## Fair values of financial assets and financial liabilities

Some of the Council's financial assets are measured at fair value on a recurring basis and are describe in the table below, including the valuation techniques used to measure them.

### Fair Value

Basis for recurring fair value measurements:

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

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

| Balance sheet<br>31 Mar 24 | Fair value<br>31 Mar 24 | FV - Financial Liabilities                         | Fair<br>value<br>Level | Balance sheet<br>31 Mar 25 | Fair value<br>31 Mar 25 |
|----------------------------|-------------------------|--|------------------------|----------------------------|-------------------------|
| £'000                      | £'000                   |  |                        | £'000                      | £'000                   |
|                            |                         | Financial liabilities held at amortised cost:      |                        |                            |                         |
| 1,088,068                  | 1,088,068               | Long-term loans from PWLB                          | 2                      | 1,069,241                  | 1,069,241               |
| 2,175                      | 2,175                   | Other long-term liabilities                        | 2                      | 2,442                      | 2,442                   |
| 4,639                      | 4,639                   | Liabilities for which fair value is not disclosed* |                        | 6,068                      | 6,068                   |
| <b>1,094,882</b>           | <b>1,094,882</b>        | <b>Total Financial Liabilities</b>                 |                        | <b>1,077,751</b>           | <b>1,077,751</b>        |

\* 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.

| <b>Balance sheet<br/>31 Mar 24</b> | <b>Fair value<br/>31 Mar 24</b> | <b>FV - Financial Assets</b>                  | <b>Fair<br/>value</b> | <b>Balance sheet<br/>31 Mar 25</b> | <b>Fair value<br/>31 Mar 25</b> |
|------------------------------------|---------------------------------|---|-----------------------|------------------------------------|---------------------------------|
| £'000                              | £'000                           |   | Level                 | £'000                              | £'000                           |
|                                    |                                 | Financial assets held at fair value:          |                       |                                    |                                 |
| 4,500                              | 1,528                           | Money market funds – short term               | 1                     | 4,311                              | 4,311                           |
| 5,314                              | 2,931                           | Strategic pooled funds – short term           | 1                     | 2,931                              | 2,931                           |
|                                    |                                 | Financial assets held at amortised cost:      |                       |                                    |                                 |
| 31,114                             | 28,190                          | Long-term loans to companies                  | 2                     | 45,152                             | 39,332                          |
| 11,287                             | 11,287                          | Assets for which fair value is not disclosed* |                       | 17,025                             | 17,025                          |
|                                    |                                 | Financial assets held at amortised cost:      |                       |                                    |                                 |
| 35,151                             | 35,151                          | Long term Investments                         |                       | 2,965                              | 2,965                           |
| 384                                | 384                             | Short term Investments                        |                       | 8,046                              | 8,046                           |
| <b>87,750</b>                      | <b>79,471</b>                   | <b>Total Financial Assets</b>                 |                       | <b>80,430</b>                      | <b>74,610</b>                   |

\* 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.

### Transfer between levels of the fair value hierarchy

There were no transfers between level 1 and 2 during the year.

### Changes in the valuation technique

There has been no change in the valuation technique used during the year for the financial instruments.

### Reconciliation of fair value measurements for financial assets carried at fair value categorised within Level 3 at the fair value hierarchy for financial assets

There were no instruments, measured at fair value, that were at level 3 in the hierarchy.

## **The fair values of financial assets and financial liabilities that are not measured at fair value but for which fair value disclosures are required**

Except for the financial assets carried at fair value, all other financial liabilities and financial assets represented by amortised cost and long term debtors and creditors are carried on the Balance Sheet at amortised cost. Their fair values can be assessed by calculating the net present value of cash flows that take place over the remaining life of the instruments, 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.

## 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            | Short Term   |                                 | Long Term    | Short Term   |
|----------------------|--------------|---------------------------------|--------------|--------------|
| 31 Mar 24            | 31 Mar 24    | Credit Risk                     | 31 Mar 25    | 31 Mar 25    |
| £'000                | £'000        |                                 | £'000        | £'000        |
| <b>Credit Rating</b> |              |                                 |              |              |
| 0                    | 0            | A                               | 0            | 0            |
| 0                    | 0            | A-                              | 0            | 0            |
| 28,144               | 1,582        | BBB+                            | 0            | 0            |
| 16                   | 5,000        | Unrated local authorities       | 2,966        | 8,046        |
| <b>28,160</b>        | <b>6,582</b> | <b>Total</b>                    | <b>2,966</b> | <b>8,046</b> |
| 36,422               | 1,528        | Credit risk is not applicable * | 0            | 0            |
| <b>64,581</b>        | <b>8,110</b> | <b>Total investments</b>        | <b>2,966</b> | <b>8,046</b> |

\* Credit risk is not applicable to shareholdings and pooled funds where the Council has no contractual right to receive any particular sum of money.

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.

## Note 20 Debtors

|  | 2023/24       |               | 2024/25       |               |
|--|---------------|---------------|---------------|---------------|
|  | Long Term     | Short Term    | Long Term     | Short Term    |
|  | £'000         | £'000         | £'000         | £'000         |
| Trade Receivables                                | 0             | 9,696         | 0             | 14,974        |
| Local Taxation (Council Tax and Business Rates)  | 0             | 14,346        | 0             | 2,473         |
| Prepayments                                      | 0             | 2,157         | 0             | 1,194         |
| Other Receivable amounts                         | 31,114        | 5,262         | 45,089        | 4,864         |
| Less Provision for Bad Debts – Trade Receivables | 0             | (9,194)       | 0             | (4,554)       |
| Less Provision for Bad Debts – Local Taxation    | 0             | (11,980)      | 0             | (535)         |
| <b>Total</b>                                     | <b>31,114</b> | <b>10,288</b> | <b>45,089</b> | <b>18,416</b> |

## Note 21 Cash and Cash Equivalents

The balance of cash and cash equivalents is made up of the following amounts:

|                            | 2023/24      | 2024/25      |
|----------------------------|--------------|--------------|
|                            | £'000        | £'000        |
| Cash held by the Authority | 5            | 1            |
| Bank current accounts      | 2,868        | 0            |
| Short term deposits        | 6,941        | 9,354        |
| <b>Total</b>               | <b>9,814</b> | <b>9,355</b> |

## Note 22 Assets Held for Sale

The Council has classified three properties (formerly used for operational purposes) as held for sale following a formal decision to dispose of the asset, marketing commenced in April 2025 and sale is expected to complete within 12 months. In accordance with IFRS 5, the asset is no longer depreciated and is measured at the lower of its carrying amount and fair value, less costs to sell. These assets are Ashford Hospital Victory Place, Thameside House and Summit Centre.

|   | 2023/24  | 2024/25       |
|---|----------|---------------|
|   | £'000    | £'000         |
| <b>Balance at 1 April</b>                       | <b>0</b> | <b>0</b>      |
| <b>Assets newly classified as held for sale</b> |          |               |
| Transfer from Property, Plant & Equipment       | 0        | 17,090        |
| Other Movement                                  | 0        | (84)          |
| <b>Balance at 31 March</b>                      | <b>0</b> | <b>17,006</b> |

## Note 23 Short Term Creditors

|   | 2023/24         | 2024/25         |
|---|-----------------|-----------------|
|   | £'000           | £'000           |
| Trade Payables                                  | (3,853)         | (5,819)         |
| Other Payables                                  | (8,262)         | (4,486)         |
| Local Taxation (Council Tax and Business Rates) | (11,252)        | (12,892)        |
| <b>Total</b>                                    | <b>(23,367)</b> | <b>(23,197)</b> |
| Receipts in advance                             | (15,627)        | (21,647)        |
| <b>Total</b>                                    | <b>(38,994)</b> | <b>(44,844)</b> |

## Note 24 Provisions

During 2024-25, the Municipal Mutual Insurance and Business Rate Appeals provisions have been reclassified as long term provisions as they are likely to be settled after 12 months.

The Longford Housing provision was set up to cover any damages in relation to leasing temporary accommodation from a private landlord. However, it is not possible to produce a reliable estimate therefore this provision has been derecognised and classed as a contingent liability (see Note 38).

The Expected Credit Loss provision for Debtors (Trade Receivables) has been derecognised as there is bad debt provision set up for Debtors (see Note 20).

| Short term provisions            | Municipal Mutual Insurance | Business Rate Appeals | Expected Credit Loss | Longford Housing | Total    |
|----------------------------------|----------------------------|-----------------------|----------------------|------------------|----------|
|                                  | £'000                      | £'000                 | £'000                | £'000            | £'000    |
| <b>Balance at 1 April</b>        | (200)                      | (800)                 | (221)                | (13)             | (1,234)  |
| Additional provisions made       | 0                          | 0                     | (165)                | 0                | (165)    |
| Amounts used                     | 0                          | 0                     | 0                    | 0                | 0        |
| Unused amounts reversed          | 0                          | 0                     | 386                  | 13               | 399      |
| Transfer to long term provisions | 200                        | 800                   | 0                    | 0                | 1,000    |
| <b>Balance at 31 March</b>       | <b>0</b>                   | <b>0</b>              | <b>0</b>             | <b>0</b>         | <b>0</b> |

| Long term provisions                | Municipal Mutual Insurance | Business Rate Appeals | Total          |
|-------------------------------------|----------------------------|-----------------------|----------------|
|                                     | £'000                      | £'000                 | £'000          |
| <b>Balance at 1 April</b>           | 0                          | 0                     | 0              |
| Transfer from short term provisions | (200)                      | (800)                 | (1,000)        |
| Additional provisions made          | 0                          | (3,277)               | (3,277)        |
| Amounts used                        | 0                          | 1,966                 | 1,966          |
| Unused amounts reversed             | 155                        | 0                     | 155            |
| <b>Balance at 31 March</b>          | <b>(45)</b>                | <b>(2,111)</b>        | <b>(2,156)</b> |

## **Municipal Mutual Insurance**

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.

## **Business Rates Appeals**

The Business Rates appeals provision was set up to cover the Council's share of the estimated reduction in business rates collectable due to rating appeals. It was calculated using information provided by the Valuation Office Agency about outstanding appeals, and our historical knowledge of the likely success rate of these appeals.

## Note 25 Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement.

The General Fund Balance is the accumulation of surplus or deficit on operational services attributable to Council taxpayers. Such funds are not held for any specific purpose but are available to assist with the management of financial risks and to deal with any emergencies that might arise.

The Medium-Term Financial Strategy sets out the Council's policy for the recommended value of the General Fund Balance in order to provide assurance against the estimates and assumptions used in the annual budget process, with Earmarked Reserves set aside to meet specific future running costs and investments. The Medium-Term Financial Strategy sets out the Council's policy for Earmarked Reserves, including their nature and suggested requirements. Full details of the movements on each reserve can be found at Note 9.

The position at 31 March 2025 for each category of Usable Reserve is as follows:

|                              | 2023/24<br>Restated | 2024/25         |
|------------------------------|---------------------|-----------------|
|                              | £'000               | £'000           |
| General Fund                 | (3,083)             | (3,508)         |
| Earmarked Reserves           | (56,746)            | (52,181)        |
| Capital Receipts Reserve     | (2,028)             | (2,681)         |
| Capital Grants Unapplied     | (1,506)             | (1,777)         |
| <b>Total Usable Reserves</b> | <b>(63,362)</b>     | <b>(60,147)</b> |

### Capital Receipts Reserve

The Useable Capital Receipts Reserve holds the proceeds of fixed asset sales available to meet future capital investment. This also includes capital receipts from a previous housing stock transfer agreement where there is a Right to Buy sharing arrangement in place with the housing association.

|                                     | 2023/24        | 2024/25        |
|-------------------------------------|----------------|----------------|
|                                     | £'000          | £'000          |
| <b>Balance at 1 April</b>           | <b>(1,536)</b> | <b>(2,028)</b> |
| Capital Receipts received in year   | (492)          | (653)          |
| Capital Receipts used for financing | 0              | 0              |
| <b>Balance at 31 March</b>          | <b>(2,028)</b> | <b>(2,681)</b> |

## Capital Grants Unapplied

The Capital Grants Unapplied Reserve holds the balance of grants received where the conditions have been met but the expenditure has not yet been incurred. Any grants received in advance of conditions being satisfied are held as Capital Grant Receipts in Advance until the conditions are satisfied and the grant can then be recognised in the CIES. The Council currently does not have any Capital Grant Receipts in Advance.

|   | <b>2023/24</b>  | <b>2024/25</b> |
|---|-----------------|----------------|
|   | <b>Restated</b> |                |
|   | £'000           | £'000          |
| <b>Balance at 1 April</b>                 | <b>(1,777)</b>  | <b>(1,506)</b> |
| Unapplied capital grants received in-year | (1,625)         | (2,105)        |
| Capital grants applied in-year            | 1,897           | 1,833          |
| <b>Balance at 31 March</b>                | <b>(1,506)</b>  | <b>(1,777)</b> |

## Note 26 Unusable Reserves

|   | 2023/24<br>Restated | 2024/25        |
|---|---------------------|----------------|
|   | £'000               | £'000          |
| Revaluation Reserve                       | (41,792)            | (44,063)       |
| Financial Instruments Revaluation Reserve | (2,851)             | (2,600)        |
| Capital Adjustment Account                | 379,016             | 429,748        |
| Deferred Capital Receipts Reserve         | (27,509)            | (27,224)       |
| Pension Reserve                           | 6,151               | 10,461         |
| Collection Fund Adjustment Account        | 3,155               | 514            |
| Accumulated Absences Account              | 405                 | 353            |
| <b>Total Unusable Reserves</b>            | <b>316,575</b>      | <b>367,189</b> |

### Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its property, plant and equipment and intangible 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, or
- 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.

|  | <b>2023/24</b>  | <b>2024/25</b>  |
|--|-----------------|-----------------|
|  | <b>Restated</b> |                 |
|  | £'000           | £'000           |
| <b>Balance at 1 April</b>  | (27,754)        | (41,792)        |
| Upward revaluation of assets   | (10,263)        | (12,083)        |
| Downward revaluation of assets and impairment losses not charged to the Surplus on the Provision of Services | 4,642           | 12,119          |
| Depreciation written down on revaluation   | (8,656)         | (1,673)         |
| Difference between fair value and historic cost depreciation   | (350)           | (633)           |
| Amount written off to Capital Adjustment Account   | 589             | 0               |
| <b>Balance at 31 March</b>   | <b>(41,792)</b> | <b>(44,062)</b> |

## Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the gains made by the Council arising from increases in the value of its investments that are measured at fair value through other comprehensive income. 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.

|  | <b>2023/24</b> | <b>2024/25</b> |
|--|----------------|----------------|
|  | £'000          | £'000          |
| <b>Balance at 1 April</b>  | <b>(1,083)</b> | <b>(2,851)</b> |
| Revaluation of investments not charged to the Surplus on the Provision of Services | (1,768)        | 251            |
| <b>Balance at 31 March</b>   | <b>(2,851)</b> | <b>(2,600)</b> |

## 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 gains recognised on donated assets that have yet to be consumed by the Council. The Account also contains 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.

|   | <b>2023/24</b>  | <b>2024/25</b>  |
|---|-----------------|-----------------|
|   | <b>Restated</b> |                 |
|   | £'000           | £'000           |
| <b>Balance at 1 April</b>   | <b>249,616</b>  | <b>379,015</b>  |
| <b>Reversal of items relating to capital debited or credited to the Comprehensive Income and Expenditure Statement (CIES)</b> |                 |                 |
| Depreciation, Amortisation and Impairments  | 6,441           | 39,382          |
| Changes in the valuation of Investment Property   | 129,840         | 30,260          |
| Current value of asset disposals  | 10,597          | 10,601          |
| Revenue Expenditure funded from Capital under Statute   | 1,223           | 1,564           |
| Adjustments to depreciation on revalued assets  | (239)           | 632             |
| <b>Net written out amount of the cost of non-current assets consumed in the year</b>  | <b>147,862</b>  | <b>82,439</b>   |
| <b>Capital financing applied in the year</b>  |                 |                 |
| Use of Capital Receipts Reserve   | 0               | 0               |
| Capital grants and contributions credited to the CIES   | (4,467)         | (12,081)        |
| Direct revenue funding  | (1,599)         | (357)           |
| Minimum revenue provision   | (12,397)        | (19,268)        |
| <b>Capital financing applied in year</b>  | <b>(15,893)</b> | <b>(31,706)</b> |
| <b>Balance at 31 March</b>  | <b>379,015</b>  | <b>429,748</b>  |

## 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.

|  | 2023/24<br>Restated | 2024/25         |
|--|---------------------|-----------------|
|  | £'000               | £'000           |
| <b>Balance at 1 April</b>  | <b>(30,140)</b>     | <b>(27,509)</b> |
| Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 2,376               | 0               |
| Transfer to the Capital Receipts Reserve upon receipt of cash  | 255                 | 285             |
| <b>Balance at 31 March</b>   | <b>(27,509)</b>     | <b>(27,224)</b> |

## 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. In 2024-25 the Surrey Pension Fund moved into an overall surplus and as result the reserve has moved from a debit balance to a credit balance. The debit balance on the Pensions Reserve for 2023-24 was showing a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them, the movement into a credit balance means potentially future employer contributions can be slightly reduced. The statutory arrangements will ensure that funding will have been set aside by the time the benefits fall due.

|  | 2023/24       | 2024/25       |
|--|---------------|---------------|
|  | £'000         | £'000         |
| <b>Balance at 1 April</b>  | <b>15,547</b> | <b>6,151</b>  |
| Remeasurement of net defined benefits liabilities/(assets)   | (9,372)       | 4,848         |
| Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES | 4,069         | 3,540         |
| Employers pension contributions and direct payments to pensioners payable in the year  | (4,093)       | (4,078)       |
| <b>Balance at 31 March</b>   | <b>6,151</b>  | <b>10,461</b> |

## 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 Tax payers 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.

|   | 2023/24        | 2024/25      |
|---|----------------|--------------|
|   | £'000          | £'000        |
| <b>Balance at 1 April</b>   | <b>(2,861)</b> | <b>3,155</b> |
| 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)          | (716)        |
| 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          | (1,926)      |
| <b>Balance at 31 March</b>  | <b>3,155</b>   | <b>514</b>   |

## 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 2025. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

|   | 2023/24    | 2024/25    |
|---|------------|------------|
|   | £'000      | £'000      |
| <b>Balance at 1st April</b>   | <b>331</b> | <b>405</b> |
| Settlement or cancellation of accrual made at the end of the preceding year | (331)      | (405)      |
| Amounts accrued at the end of the current year                              | 405        | 353        |
| <b>Balance at 31st March</b>  | <b>405</b> | <b>353</b> |

## Note 27 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

| 2023/24 |                    | 2024/25 |  |
|---------|--------------------|---------|--|
| £'000   |                    | £'000   |  |
| (2,478) | Interest received  | (2,093) |  |
| 25,359  | Interest paid      | 25,648  |  |
| (1,639) | Dividends received | (1,323) |  |

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

| 2023/24          |   | 2024/25         |  |
|------------------|---|-----------------|--|
| £'000            |   | £'000           |  |
| (2,559)          | Depreciation and amortisation   | (2,839)         |  |
| (133,723)        | Impairment and downward revaluations  | (66,803)        |  |
| 2,294            | Increase/decrease in provision for bad debts  | 5,873           |  |
| 11,467           | Increase/decrease in creditors  | 172             |  |
| 3,112            | Increase/decrease in debtors  | 10,839          |  |
| (8)              | Increase/decrease in inventories  | 6               |  |
| 24               | Movement in pension liability   | 538             |  |
| (15,065)         | Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised | (439)           |  |
| (10,355)         | Other non-cash items charged to the net surplus or deficit on the provision of services           | (1,633)         |  |
| <b>(144,813)</b> | <b>Total</b>  | <b>(54,285)</b> |  |

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

| <b>2023/24</b>   | <b>2024/25</b>  |
|--|-----------------|
| £'000  | £'000           |
| 0  |                 |
| Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (368)           |
| (1,160)  |                 |
| Any other items for which the cash effects are investing or financing cash flows                   | (12,433)        |
| <b>(1,160)</b>   | <b>(12,801)</b> |

## Note 28 Cash Flow Statement – Investing Activities

| <b>2023/24</b>   | <b>2024/25</b> |
|--|----------------|
| £'000  | £'000          |
| 39,887   | 31,554         |
| Purchase of property, plant and equipment, investment property and intangible assets               |                |
| 397,594  | 567,175        |
| Purchase of short-term and long-term investments   |                |
| 0  | 0              |
| Proceeds from the sale of property, plant and equipment, investment property and intangible assets |                |
| (412,872)  | (588,360)      |
| Proceeds from short-term and long-term investments   |                |
| (1,625)  | (12,433)       |
| Other receipts from investing activities   |                |
| <b>22,984</b>  | <b>(2,065)</b> |
| <b>Net Cash Flows from Investing Activities</b>  |                |

## Note 29 Cash Flow Statement – Financing Activities

| 2023/24      |  | 2024/25       |
|--------------|--|---------------|
| £'000        |  | £'000         |
| (43,000)     | Cash receipts of short- and long-term borrowing  | (51,347)      |
| (2,797)      | Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance-sheet PFI contracts | 150           |
| 53,721       | Repayments of short- and long-term borrowing   | 70,340        |
| <b>7,924</b> | <b>Net Cash Flows from Financing Activities</b>  | <b>19,143</b> |

## Note 30 Members Allowances

The Council paid the following amounts to members of the Council during the year.

|              | 2023/24    | 2024/25    |
|--------------|------------|------------|
|              | £'000      | £'000      |
| Salaries     | 0          | 0          |
| Allowances   | 370        | 362        |
| Expenses     | 1          | 1          |
| <b>Total</b> | <b>371</b> | <b>363</b> |

## Note 31 Officers' Remuneration

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

| Exit packages per cost band (including special payments) | Number of compulsory redundancies |          | Number of other departures agreed |          | Total number of exit packages by cost band |           | Total cost of exit packages in each band |                |
|--|-----------------------------------|----------|-----------------------------------|----------|--|-----------|--|----------------|
|  | 2023/24                           | 2024/25  | 2023/24                           | 2024/25  | 2023/24                                    | 2024/25   | 2023/24                                  | 2024/25        |
| £  | No.                               | No.      | No.                               | No.      | No.  | No.       | £  | £              |
| 40,001 to - 60,000                                       | 0                                 | 1        | 0                                 | 0        | 0  | 1         | 0  | 57,999         |
| 20,001 - 40,000  | 0                                 | 2        | 0                                 | 0        | 0  | 2         | 0  | 50,885         |
| 0 - 20,000   | 0                                 | 4        | 1                                 | 3        | 1  | 7         | 6,967                                    | 57,109         |
| <b>Total</b>   | <b>0</b>                          | <b>7</b> | <b>1</b>                          | <b>3</b> | <b>1</b>                                   | <b>10</b> | <b>6,967</b>                             | <b>165,993</b> |

The remuneration of senior employees, defined as those who are members of Management Board, or those holding statutory posts is as follows:

| Post holder information<br>2024/25               | Pay, fees and allowances<br>£ | Pension contributions<br>£ | Total<br>£ |
|--|-------------------------------|----------------------------|------------|
| Chief Executive – Daniel C Mouawad               | 164,795                       | 26,664                     | 191,458    |
| Deputy Chief Executive & Chief Financial Officer | 123,817                       | 19,977                     | 143,794    |
| Deputy Chief Executive                           | 115,840                       | 18,983                     | 134,823    |
| Group Head of Corporate Governance               | 77,790                        | 12,975                     | 90,765     |

| Post holder information<br>2023/24               | Pay, fees and allowances<br>£ | Pension contributions<br>£ | Total<br>£ |
|--|-------------------------------|----------------------------|------------|
| Chief Executive – Daniel C Mouawad               | 144,363                       | 23,780                     | 168,143    |
| Deputy Chief Executive & Chief Financial Officer | 106,542                       | 19,331                     | 125,873    |
| Deputy Chief Executive                           | 101,901                       | 18,465                     | 120,366    |
| Group 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 £50,000 remuneration for the year (excluding pension contributions) were paid the following amounts:

| Remuneration banding |         | 2023/24   | 2024/25   |
|----------------------|---------|-----------|-----------|
| £                    | £       | Number    | Number    |
| 50,000               | 54,999  | 18        | 20        |
| 55,000               | 59,999  | 9         | 13        |
| 60,000               | 64,999  | 7         | 9         |
| 65,000               | 69,999  | 1         | 2         |
| 70,000               | 74,999  | 4         | 5         |
| 75,000               | 79,999  | 0         | 1         |
| 80,000               | 84,999  | 7         | 3         |
| 85,000               | 89,999  | 0         | 3         |
| 90,000               | 94,999  | 0         | 0         |
| 95,000               | 99,999  | 0         | 1         |
| 100,000              | 104,999 | 1         | 0         |
| 105,000              | 109,999 | 1         | 0         |
| 110,000              | 114,999 | 0         | 0         |
| 115,000              | 119,999 | 0         | 1         |
| 120,000              | 124,999 | 0         | 1         |
| 125,000              | 129,999 | 0         | 0         |
| 130,000              | 134,999 | 0         | 0         |
| 135,000              | 139,999 | 0         | 0         |
| 140,000              | 144,499 | 1         | 0         |
| 145,000              | 149,999 | 0         | 0         |
| 150,000              | 154,999 | 0         | 0         |
| 155,000              | 159,999 | 0         | 0         |
| 160,000              | 164,999 | 0         | 1         |
|                      |         | <b>49</b> | <b>60</b> |

## Note 32 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 2023/24 was undertaken by Grant Thornton and the 2024/25 Audit is also being provided by them.

|   | <b>2023/24</b> | <b>2024/25</b> |
|---|----------------|----------------|
|   | £'000          | £'000          |
| Fees payable to external auditor with regard to external audit services carried out by the appointed auditor for the year | 223            | 222            |
| Fees payable to external auditor for the certification of Housing Benefit Grant return                                    | 39             | 39             |
| <b>Total</b>  | <b>262</b>     | <b>261</b>     |

## Note 33 Grants and Contributions

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2024/25:

|  | 2023/24         | 2024/25         |
|--|-----------------|-----------------|
|  | £'000           | £'000           |
| <b>Credited to Services</b>  |                 |                 |
| NNDR Cost of Collection  | (122)           | (122)           |
| Housing Benefit Subsidy  | (19,653)        | (19,397)        |
| Afghan Citizen Resettlement Scheme                                     | (1,571)         | (1,819)         |
| Local Authority Housing Fund   | (2,571)         | (1,414)         |
| Covid 19 Historical Grant Monies                                       | 0               | (2,994)         |
| Shared Prosperity Fund   | (80)            | (880)           |
| Homelessness Prevention Grant  | (627)           | (857)           |
| Spelthorne Families Support Fund                                       | 0               | (503)           |
| Ukraine Refugee  | (1,044)         | (477)           |
| Household Support Scheme   | (413)           | (252)           |
| Rough Sleeping Initiative  | (173)           | (229)           |
| Discretionary Housing Payment Grant                                    | (203)           | (203)           |
| Other revenue grants   | (801)           | (688)           |
| <b>Total</b>   | <b>(27,566)</b> | <b>(29,835)</b> |
| <b>Credited to Taxation and Non-Specific Grant Income</b>              |                 |                 |
| Capital grants and contributions                                       | (1,160)         | (12,433)        |
| Non-ringfenced grants and contributions                                | (4,838)         | (5,387)         |
| <b>Total grants and contributions credited to Net Cost of Services</b> | <b>(33,563)</b> | <b>(47,655)</b> |

The Council has received a number of grants and contributions that have yet to be recognised as income, as they have conditions attached to them that could require the money to be returned to the awarding body. The balances shown below are included in the Balance Sheet under Long Term Liabilities. The balances as at 31 March 2025 are as follows:

|  | <b>2023/24</b> | <b>2024/25</b> |
|--|----------------|----------------|
|  | £'000          | £'000          |
| Capital grants and contributions receipts in advance | 0              | 0              |
| Developer's contributions                            | (620)          | (417)          |
| <b>Total</b>   | <b>(620)</b>   | <b>(417)</b>   |

## Note 34 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 authorities and precepting bodies, joint ventures and joint venture partnerships, together with Council's 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

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. Council Tax, housing benefits). Details of balances with government departments are set out in notes 20 (Debtors) and 23 (Short Term Creditors) above and details of cash received from government grants is set out in note 33 above.

### Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2024/25 is shown in Note 30. Several members are connected with local organisations that have dealings with the Council. The appropriate analysis has been undertaken with regard to related party transactions, and the conclusion was reached that there are no material transactions between the Council and Council members.

During 2024/25, the Council awarded 25 grant payments amounting to £252,015 (2023/24: £224,919).

|   | 2023/24 | 2024/25 |
|---|---------|---------|
|   | £       | £       |
| Age Uk  | 30,000  | 32,000  |
| Catalyst Support                                | 0       | 6,000   |
| Citizens Advice Bureau Runnymede and Spelthorne | 70,000  | 72,000  |
| CREST   | 5,000   | 3,500   |
| Cruse Bereavement Support                       | 2,500   | 5,965   |
| Didasko Ladies Netball Club                     | 0       | 1,000   |
| East to West                                    | 0       | 5,000   |
| Families Thriving Together                      | 0       | 4,000   |
| Home-Start                                      | 24,919  | 28,600  |
| Midas Plus Fundraising                          | 2,000   | 2,000   |
| North Surrey Domestic Abuse Service             | 6,000   | 0       |
| Rentstart                                       | 0       | 16,000  |

|   |                |                |
|---|----------------|----------------|
| Salvation Army Staines                                      | 0              | 3,000          |
| Shepperton Village Fair                                     | 1,000          | 0              |
| Spelthorne Committee for Access Now                         | 1,500          | 1,500          |
| Spelthorne Dementia Support                                 | 0              | 250            |
| Spelthorne Volleyball Club                                  | 1,400          | 0              |
| Staines Swimming Club                                       | 0              | 1,500          |
| Stanwell Foodbank   | 0              | 1,000          |
| Staines & Egham Unit 317 of the Sea Cadet Corps             | 0              | 2,000          |
| Staines Shopmobility  | 15,000         | 12,500         |
| Staines Helping Hands                                       | 0              | 1,000          |
| Staines Lammas Youth FC                                     | 0              | 1,000          |
| Staines Parish Community Care Trust                         | 2,000          | 0              |
| Sunbury Shepperton & Chertsey NCT                           | 1,100          | 0              |
| Surplus to Supper   | 10,000         | 0              |
| Surrey Association for Visual Impairment (Sight for Surrey) | 2,500          | 2,500          |
| Surrey Care Trust   | 0              | 5,000          |
| Surrey Drug and Alcohol Care Ltd                            | 3,000          | 0              |
| Thames Sailability  | 2,500          | 3,000          |
| The Breastfeeding Café CIC                                  | 1,500          | 3,700          |
| The Mulberry Centre   | 3,000          | 0              |
| Voluntary Support North Surrey                              | 35,000         | 38,000         |
| 4th Ashford Scout Group                                     | 2,500          | 0              |
| 8th Ashford Scouts  | 2,500          | 0              |
| <b>Total</b>  | <b>224,919</b> | <b>252,015</b> |

In all instances, the grants were made with proper consideration of interest. The relevant members did not take part in any discussion or decision relating to the grants. Details of all these transactions are recorded in the Register of Members' Interest, which is open to public inspection, and it is updated annually.

#### Entities controlled or significantly influenced by the Authority

The Council has incorporated two companies – both private limited by shares: Knowle Green Estates Ltd (KGE) and Spelthorne Direct Services Ltd (SDS). Officers made a related party declaration in respect of both companies.

### **Knowle Green Estates Limited**

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 the Council. During the year 2024-25, a 10-year debenture of £2.5m was issued in July 2024 to the company by the Council and further loan of £11.27m was issued for the acquisition of housing properties. The loan is repayable on maturity in 2075/76, and interest is charge at 5.2%. The company as at 31<sup>st</sup> March 2025 has an outstanding balance of £45.24m with the Council.

The following Council representatives held office in the Company during the year 2024/25, noting the changes mentioned below:

- Cllr Lawrence Nichols - Director
- Mr Terry Collier, Deputy Chief Executive – resigned 1 January 2025
- Mrs Coralie Holman, Group Head of Assets - appointed 19 February 2025

Audited accounts for the year ending 31 March 2025 indicate a total loss before tax of £795k (2023/24: £892k loss). However, rental income grew in the year to £2,029k (2023/24: £1,265k). The business plan for the company is to continue to increase their property portfolio including assured short-hold tenancies and affordable housing. Therefore, the company has no intention of selling any assets in the short to medium term.

### **The Post House Ltd**

The Post House Ltd is a subsidiary company of Knowle Green Estates, and it was acquired in July 2024. It is a management company and provide services for the Post House development. The freehold title to the Post House Development is vested in the Post House Ltd. The director shown below have held office during the year 2024/25:

- Mr Terry Collier, Deputy Chief Executive

There were no financial transactions for the financial year of 2024-25 as the company was not trading as at 31 March 2025 and the accounts are dormant.

### **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. The company as at 31<sup>st</sup> March 2025 has an outstanding balance of £249.11k with the Council.

The director shown below have held office during the year 2024/25:

- Mrs Jackie Taylor, Group Head of Neighbourhood Services

Other changes in directors holding office are as follows:

- Mr Paul Taylor, Chief Accountant – resigned 1 July 2024
- Mr Mahmud Rogers, Joint Financial Services Manager - appointed 1 July 2024 and resigned on 28 February 2025
- Cllr Paul Woodward – appointed on 24 March 2025

The company continues to grow and has seen the client base rise significantly. The turnover for the year was £613k (2023/24: £580k) however not as high as expected to meet the overall higher costs. Therefore, the audited accounts for the year ending 31 March 2025 indicate a loss for the year of £15k (2023/24: £51k profit) before tax. There are two reasons for the loss: higher labour costs (increased by £20k) and waste disposal costs (increased by £40k). The company had to invest in staff to service the growing customer base as well due to changes in the Government legislation on Simpler Recycling. The price per tonne for general waste disposal has also increased from £127 to £150 per tonne.

## Note 35 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:

|   | <b>2023/24</b>   | <b>2024/25</b>   |
|---|------------------|------------------|
|   | <b>Restated</b>  |                  |
|   | £'000            | £'000            |
| <b>Opening Capital Financing Requirement</b>                | <b>1,128,532</b> | <b>1,151,202</b> |
| <b>Capital Investment</b>                                   |                  |                  |
| Property, Plant and Equipment                               | 33,308           | 9,883            |
| LAHF Properties   | 6,384            | 21,449           |
| Intangible Assets   | 218              | 222              |
| Revenue Expenditure funded from Capital under Statute       | 1,223            | 1,564            |
| <b>Total</b>  | <b>41,133</b>    | <b>33,118</b>    |
| <b>Sources of Finance</b>                                   |                  |                  |
| Capital Receipts  | 0                | 0                |
| Capital Grants and Other Contributions                      | (4,467)          | (12,081)         |
| Sums set aside from revenue:                                |                  |                  |
| Direct revenue contributions                                | (1,599)          | (357)            |
| MRP/loans fund principal                                    | (12,397)         | (19,268)         |
| <b>Total</b>  | <b>(18,463)</b>  | <b>(31,706)</b>  |
| <b>Closing Capital Financing Requirement</b>                | <b>1,151,202</b> | <b>1,152,614</b> |
| <b>Explanation of movements in year:</b>                    |                  |                  |
| Increase/(decrease) in underlying need to borrow            | 22,670           | 1,412            |
| <b>Increase/(decrease) in Capital Financing Requirement</b> | <b>22,670</b>    | <b>1,412</b>     |

# Note 36 Leases

## Change in Accounting Policies for Leases – Council as Lessee

In 2023/24 the Council voluntarily applied IFRS16 Leases as permitted by the Code of Practice for Local Authority Accounting in the United Kingdom. The main impact of the new requirements is when the Council is the lessee in a transaction. In this case, where arrangements were previously accounted for as operating leases (that is to say, without recognising the leased item as an asset and future lease payments as a liability), a right-of-use asset has been brought onto the Balance Sheet as at 1 April 2023. Where those leases have a commercial rent attached to them, a corresponding lease liability discounted to their present value has also been recognised in the Balance Sheet as at 1 April 2023. Where leases are at nil consideration, or a peppercorn, then no lease liability is recorded and instead are treated as donated assets and included within Taxation and Non-Specific Grant income in the Comprehensive Income and Expenditure Statement.

In 2024/25 the Council conducted further review of its leases and has brought additional leases onto the Balance Sheet as at 1 April 2024. The Council also reclassified four assets from land and building assets to right-of use assets. In all cases, IFRS 16 has been applied retrospectively, but with the cumulative effect recognised at 1 April 2024. This means that right-of-use assets and lease liabilities have been calculated as if IFRS 16 had always applied but recognised in 2024/25 and not by adjusting prior year figures. However, some practical expedients have been applied as required or permitted by the Code:

- Lease liabilities are measured at the present value of the remaining lease payments at 1 April 2024, discounted by the Council's incremental borrowing rate
- The weighted average of the incremental borrowing rates used to discount liabilities was 5%
- Right-of-use assets are measured at the amount for the lease liability, adjusted for any prepaid or accrued lease payments that were in the Balance Sheet on 31 March 2024 – any initial direct costs have been excluded. Note 13 provides information on the assets recognised on the Council's Balance Sheet for the rights the Council has secured to use items over their respective lease terms.
- Leases determined to be of a low value asset (value when new of less than £10,000), and short-term leases of 12 months or less (including leases due to expire before 1 April 2025) have not been included as a right-of-use assets and continue to be expensed to the Comprehensive Income and Expenditure Statement.

## Lease liabilities as at 31 March 2025

The lease liabilities at 31 March 2025 are as follows:

|                   | 2023/24            |                     |                | 2024/25            |                     |                |
|-------------------|--------------------|---------------------|----------------|--------------------|---------------------|----------------|
|                   | Long Term<br>£'000 | Short Term<br>£'000 | Total<br>£'000 | Long Term<br>£'000 | Short Term<br>£'000 | Total<br>£'000 |
| Land and property | 0                  | 0                   | 0              | 32                 | 3                   | 35             |
| Vehicles          | 1,871              | 304                 | 2,175          | 1,905              | 502                 | 2,407          |
| <b>Total</b>      | <b>1,871</b>       | <b>304</b>          | <b>2,175</b>   | <b>1,937</b>       | <b>505</b>          | <b>2,442</b>   |

## Transactions under leases

The Council incurred the following expenses and cash flows in relation to leases:

|   | 2023/24    | 2024/25    |
|---|------------|------------|
|   | £'000      | £'000      |
| <b>Comprehensive Income and Expenditure Statement</b> |            |            |
| Interest expense on lease liabilities                 | 96         | 130        |
| Expense relating to short-term leases                 | 28         | 12         |
| Expense relating to exempt leases of low-value items  | 0          | 8          |
| <b>Cash Flow Statement</b>                            |            |            |
| <b>Total cash outflows for leases</b>                 | <b>124</b> | <b>150</b> |

## Maturity analysis of lease liabilities

The lease liabilities, measured at the undiscounted amounts of expected cash payments, are due to be settled over the following time bands:

|                      | 2023/24                  |                   |                | 2024/25                  |                   |                |
|----------------------|--------------------------|-------------------|----------------|--------------------------|-------------------|----------------|
|                      | Land & Property<br>£'000 | Vehicles<br>£'000 | Total<br>£'000 | Land & Property<br>£'000 | Vehicles<br>£'000 | Total<br>£'000 |
| Less than one year   | 0                        | 480               | 480            | 5                        | 607               | 612            |
| One to five years    | 0                        | 1,984             | 1,984          | 12                       | 2,082             | 2,094          |
| More than five years | 0                        | 60                | 60             | 127                      | 3                 | 130            |
| <b>Total</b>         | <b>0</b>                 | <b>2,524</b>      | <b>2,524</b>   | <b>144</b>               | <b>2,692</b>      | <b>2836</b>    |

## Council as Lessor

### Finance leases

The Council has no currently determined finance leases 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 suitable accommodation for local businesses.

The future minimum lease payments receivable under non-cancellable leases in future years are (measured at the undiscounted amounts of expected cash receipts):

|                                       | <b>2023/24</b> | <b>2024/25</b> |
|---------------------------------------|----------------|----------------|
|                                       | £'000          | £'000          |
| Less than one year                    | 48,283         | 47,193         |
| One to five years                     | 162,399        | 146,944        |
| More than five years                  | 208,873        | 150,299        |
| <b>Total undiscounted liabilities</b> | <b>419,555</b> | <b>344,436</b> |

# Note 37 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 (from 2014 this was based on career average revalued earnings), 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.

The pension scheme is operated under the regulatory framework for the Local Government Pension Scheme, and the governance of the scheme is the responsibility of the pensions committee of Surrey County Council. Policy is determined in accordance with the Pensions Fund Regulations.

In general participating in a defined benefit pension scheme means that the Council is exposed to several risks:

- Investment risk – the Fund holds investments in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges.
- Interest rate risk – the Fund’s liabilities are assessed using market yields based on high quality corporate bonds to discount the liabilities. As the Fund holds assets, such as equities, the value of the assets and the liabilities may not move in the same way.
- Inflation rate risk - all the benefits under the Fund are linked to inflation, and so deficits may emerge to the extent that the assets are not linked to inflation.
- Longevity risk - if the members live longer than assumed, a deficit will emerge in the Fund. There are also some other demographic risks, but longevity is the main demographic risk.

In addition, as many unrelated employers participate in the Surrey Pension Fund, there is an orphan liability risk where employers leave the Fund but with insufficient assets to cover their pension obligations so that any shortfall may fall on the remaining employers.

All of these risks may also benefit the Council (e.g. higher than expected investment returns or employers leaving the Fund with excess assets which eventually are inherited by the remaining employers). However, these risks are also mitigated, to a certain extent, by the statutory requirement to charge the amount required by statute as described in Note 1 (vii) at page 41.

### Discretionary post-retirement benefits

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

### Transactions relating to post-employment benefits

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.

| 2023/24  |          |              | 2024/25      |          |              |
|--|----------|--------------|--------------|----------|--------------|
| Funded   | Unfunded | Total        | Funded       | Unfunded | Total        |
| £'000  | £'000    | £'000        | £'000        | £'000    | £'000        |
| <b>Comprehensive Income and Expenditure Statement</b>  |          |              |              |          |              |
| <b>Cost of Services:</b>   |          |              |              |          |              |
| 3,348  | 0        | 3,348        | 3,264        | 0        | 3,264        |
| 0  | 0        | 0            | 0            | 0        | 0            |
| 0  | 0        | 0            | 0            | 0        | 0            |
| <b>3,348</b>   | <b>0</b> | <b>3,348</b> | <b>3,264</b> | <b>0</b> | <b>3,264</b> |
| <b>Financing and Investment Income and Expenditure</b>   |          |              |              |          |              |
| 721  | 0        | 721          | 276          | 0        | 276          |
| 0  | 0        | 0            | 0            | 0        | 0            |
| <b>4,069</b>   | <b>0</b> | <b>4,069</b> | <b>3,540</b> | <b>0</b> | <b>3,540</b> |
| <b>Remeasurement of the net pensions liability charged to the Comprehensive Income and Expenditure Statement</b> |          |              |              |          |              |
| (7,204)  | 0        | (7,204)      | 10           | 0        | 10           |
| (5,199)  | 0        | (5,199)      | (17,710)     | (12)     | (17,722)     |

|   |          |                |   |              |             |              |
|---|----------|----------------|---|--------------|-------------|--------------|
| (682)   | 0        | (682)          | Demographic assumptions   | (207)        | 0           | (207)        |
| 3,713   | 0        | 3,713          | Other   | (1,201)      | 0           | (1,201)      |
| 0   | 0        | 0              | Change in the effect of the asset ceiling   | 23,968       | 0           | 23,968       |
| <b>(9,372)</b>  | <b>0</b> | <b>(9,372)</b> | <b>Total Post Employment Benefit Charged to Other Comprehensive Income and Expenditure</b>                        | <b>4,860</b> | <b>(12)</b> | <b>4,848</b> |
| <b>(5,303)</b>  | <b>0</b> | <b>(5,303)</b> | <b>Total Charged to Comprehensive Income and Expenditure Statement</b>  | <b>8,400</b> | <b>(12)</b> | <b>8,388</b> |
| <b><i>Movement in Reserves Statement</i></b>                                      |          |                |   |              |             |              |
| (4,069)   | 0        | (4,069)        | Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits | (3,540)      | 0           | (3,540)      |
| <b><i>Actual amount charged against the General Fund balance for the year</i></b> |          |                |   |              |             |              |
| 3,908   | 185      | 4,093          | Employers' contributions payable to scheme  | 3,883        | 195         | 4,078        |

## 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:

| 2023/24         |                   |                |  | 2024/25         |                   |                 |
|-----------------|-------------------|----------------|--|-----------------|-------------------|-----------------|
| Funded<br>£'000 | Unfunded<br>£'000 | Total<br>£'000 |  | Funded<br>£'000 | Unfunded<br>£'000 | Total<br>£'000  |
| (115,829)       | (1,894)           | (117,723)      | Present value of the defined benefit obligation              | (101,731)       | (1,687)           | (103,418)       |
| 111,572         | 0                 | 111,572        | Fair value of plan assets                                    | 116,925         | 0                 | 116,925         |
| <b>(4,257)</b>  | <b>(1,894)</b>    | <b>(6,151)</b> | <b>Sub-total</b>   | <b>15,194</b>   | <b>(1,687)</b>    | <b>13,507</b>   |
| 0               | 0                 | 0              | Impact of the asset ceiling                                  | (23,968)        | 0                 | (23,968)        |
| <b>(4,257)</b>  | <b>(1,894)</b>    | <b>(6,151)</b> | <b>Net liability arising from defined benefit obligation</b> | <b>(8,774)</b>  | <b>(1,687)</b>    | <b>(10,461)</b> |

The Scheme actuaries have assessed the Council's estimated future service costs less the estimated minimum funding requirement contributions to establish the economic benefit available to the Council. The net pensions asset has therefore been adjusted by the effect of the asset ceiling.

The effect of the asset ceiling has been determined by the Scheme's actuary on the basis of the limitation on the Council's ability to recover the full economic benefit of its assets through reductions in future employer's contributions. This is because the minimum funding requirement imposed on it by the Funding Strategy for the Scheme in place as at 31 March 2025.

## Reconciliation of the movements in the fair value of the scheme (plan) assets

### Scheme Liabilities

The following table provides a reconciliation of the present value of scheme liabilities:

| 2023/24          |                   |                  |  | 2024/25          |                   |                  |
|------------------|-------------------|------------------|--|------------------|-------------------|------------------|
| Funded<br>£'000  | Unfunded<br>£'000 | Total<br>£'000   |  | Funded<br>£'000  | Unfunded<br>£'000 | Total<br>£'000   |
| (113,857)        | (2,079)           | (115,936)        | <b>Balance as at 1 April</b>               | (115,829)        | (1,894)           | (117,723)        |
| (3,348)          | 0                 | (3,348)          | Current service cost                       | (3,264)          | 0                 | (3,264)          |
| (5,471)          | 0                 | (5,471)          | Interest cost                              | (5,628)          | 0                 | (5,628)          |
| (991)            | 0                 | (991)            | Contributions from scheme participants     | (1,062)          | 0                 | (1,062)          |
|                  |                   |                  | Remeasurement gain/(losses) arising from:  |                  |                   |                  |
| 682              | 0                 | 682              | - Changes in demographic assumptions       | 207              | 0                 | 207              |
| 5,199            | 0                 | 5,199            | - Changes in financial assumptions         | 17,710           | 12                | 17,722           |
| (3,713)          | 0                 | (3,713)          | - Other                                    | 1,201            | 0                 | 1,201            |
| 0                | 0                 | 0                | Past service cost                          | 0                | 0                 | 0                |
| 0                | 0                 | 0                | Loss on curtailments/settlements           | 0                | 0                 | 0                |
| 0                | 0                 | 0                | Liabilities assumed on entity combinations | 0                | 0                 | 0                |
| 5,670            | 185               | 5,855            | Benefits paid                              | 4,934            | 195               | 5,129            |
| 0                | 0                 | 0                | Liabilities extinguished on settlements    | 0                | 0                 | 0                |
| <b>(115,829)</b> | <b>(1,894)</b>    | <b>(117,723)</b> | <b>Balance as at 31 March</b>              | <b>(101,731)</b> | <b>(1,687)</b>    | <b>(103,418)</b> |

## Scheme Assets

The following table provides a reconciliation of the fair value of the scheme assets:

| 2023/24         |                   |                |  | 2024/25         |                   |                |
|-----------------|-------------------|----------------|--|-----------------|-------------------|----------------|
| Funded<br>£'000 | Unfunded<br>£'000 | Total<br>£'000 |  | Funded<br>£'000 | Unfunded<br>£'000 | Total<br>£'000 |
| 100,389         | 0                 | 100,389        | <b>Balance as at 1 April</b>   | 111,572         | 0                 | 111,572        |
| 4,750           | 0                 | 4,750          | Interest income  | 5,352           | 0                 | 5,352          |
| 0               | 0                 | 0              | Remeasurement gain/(loss)  | 0               | 0                 | 0              |
|                 |                   |                | - The return on plan assets, excl. amount included in net interest expense |                 | 0                 |                |
| 7,204           | 0                 | 7,204          |  | (10)            |                   | (10)           |
| 0               | 0                 | 0              | - Other (if applicable)  | 0               | 0                 | 0              |
| 0               | 0                 | 0              | The effect of changes in foreign exchange rates                            | 0               | 0                 | 0              |
| 3,908           | 185               | 4,093          | Contributions from employer  | 3,883           | 195               | 4,078          |
| 991             | 0                 | 991            | Contributions by employees into the scheme                                 | 1,062           | 0                 | 1,062          |
| (5,670)         | (185)             | (5,855)        | Net benefits paid out  | (4,934)         | (195)             | (5,129)        |
| 0               | 0                 | 0              | Administration expenses  | 0               | 0                 | 0              |
| 0               | 0                 | 0              | Settlements  | 0               | 0                 | 0              |
| 0               | 0                 | 0              | Other (if applicable)  | 0               | 0                 | 0              |
| <b>111,572</b>  | <b>0</b>          | <b>111,572</b> | <b>Balance as at 31 March</b>  | <b>116,925</b>  | <b>0</b>          | <b>116,925</b> |

## Asset ceiling

The following table provides a reconciliation of the movement on the asset ceiling:

| 2023/24                            |                   |                | 2024/25         |                   |                 |
|------------------------------------|-------------------|----------------|-----------------|-------------------|-----------------|
| Funded<br>£'000                    | Unfunded<br>£'000 | Total<br>£'000 | Funded<br>£'000 | Unfunded<br>£'000 | Total<br>£'000  |
| 0                                  | 0                 | 0              | 0               | 0                 | 0               |
| <b>Balance as at 1 April</b>       |                   |                | 0               | 0                 | 0               |
| 0                                  | 0                 | 0              | 0               | 0                 | 0               |
| Changes in the effect of liability |                   |                | 0               | 0                 | 0               |
| 0                                  | 0                 | 0              | (23,968)        | 0                 | (23,968)        |
| Additional liability               |                   |                | (23,968)        | 0                 | (23,968)        |
| <b>0</b>                           | <b>0</b>          | <b>0</b>       | <b>(23,968)</b> | <b>0</b>          | <b>(23,968)</b> |
| <b>Balance as at 31 March</b>      |                   |                | <b>(23,968)</b> | <b>0</b>          | <b>(23,968)</b> |

## Local Government Pension Scheme assets comprised:

| 2023/24             |                   |                | 2024/25         |                   |                |
|---------------------|-------------------|----------------|-----------------|-------------------|----------------|
| Quoted<br>£'000     | Unquoted<br>£'000 | Total<br>£'000 | Quoted<br>£'000 | Unquoted<br>£'000 | Total<br>£'000 |
| 8,922               | 0                 | 8,922          | 8,756           | 0                 | 8,756          |
| 0                   | 17,077            | 17,077         | 0               | 0                 | 0              |
| 1,218               | 4,262             | 5,480          | 1,582           | 22,017            | 23,599         |
| Pooled funds:       |                   |                |                 |                   |                |
| 62,171              | 0                 | 62,171         | 64,496          | 0                 | 64,496         |
| 16,260              | 0                 | 16,260         | 17,176          | 0                 | 17,176         |
| (64)                | 0                 | (64)           | 436             | 0                 | 436            |
| 1,726               | 0                 | 1,726          | 2,462           | 0                 | 2,462          |
| <b>90,233</b>       | <b>21,339</b>     | <b>111,572</b> | <b>94,908</b>   | <b>22,017</b>     | <b>116,925</b> |
| <b>Total Assets</b> |                   |                | <b>94,908</b>   | <b>22,017</b>     | <b>116,925</b> |

## 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.

The Local Government Pension Scheme and discretionary liabilities have been estimated by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Surrey Pension Fund which the Council is a member of, being based on the latest full valuation of the scheme as at 31 March 2025. 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:

| <b>Principal assumptions</b>                                 | <b>2023/24</b> | <b>2024/25</b> |
|--|----------------|----------------|
| Rate of inflation - CPI                                      | 2.80%          | 2.80%          |
| Rate of increase in salaries                                 | 3.80%          | 3.80%          |
| Rate of increase in pensions                                 | 2.80%          | 2.80%          |
| Discount rate  | 4.80%          | 5.80%          |
| Mortality assumptions for members retiring in normal health: |                |                |
| Longevity at 65 for current pensioners:                      |                |                |
| Men  | 21.8 years     | 21.7 years     |
| Women  | 24.5 years     | 24.5 years     |
| Longevity at 65 for future pensioners:                       |                |                |
| Men  | 22.4 years     | 22.3 years     |
| Women  | 25.9 years     | 25.8 years     |

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

| Change in assumptions at 31 March 2025         | Approximate increase in Defined Benefit obligation |       |
|--|--|-------|
|  | %  | £'000 |
| 0.1% decrease in Real Discount Rate            | 2%   | 1,659 |
| 1 year increase in member life expectancy      | 4%   | 4,137 |
| 0.1% increase in the salary increase rate      | 0%   | 76    |
| 0.1 % increase in pensions increase rate (CPI) | 2%   | 1,628 |

## Impact on the Council's cash flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. Surrey County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The most recent triennial valuation was carried out at 31 March 2022, with new rates applying from April 2023. The next formal valuation was due on 31 March 2025, which will determine contributions rates for the period from April 2026 to March 2029.

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 2014 (or service after 31 March 2015 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 £3.879m expected contributions to the scheme in 2025/26 (2024/25: 3.908m).

The weighted average duration of the defined benefit obligation for scheme members is 16 years for 2024/25 (2023/24: 16 years).

# Note 38 Contingent Liabilities

At 31 March 2025, the Council had four potentially significant contingent liabilities:

- An employment claim was brought against the Council for protected disclosures which was unsuccessful. A previous claim for disability discrimination was not upheld at a pre-hearing. The claimant has appealed to the Employment Appeal Tribunal (EAT) for the disability claim to be included and the outcome of the Employment Tribunal hearing regarding detriment following a whistleblowing claim. The appeals were not upheld at EAT however the claimant has sought permission to the Court of Appeal that has not yet been granted. No provision has thus been made for this contingency.
- A leisure centre operator submitted an initial claim for lost income between 15 October 2024 and 31 January 2025 relating to the teaching pool closure at Eclipse Leisure Centre for the value of £150k. However, the Council will seek to be reimbursed by the Leisure Centre construction contractors hence no provision has been made for this contingency.
- There could be a claim from a private landlord in relation to any damages to accommodation that was provided for Afghan families. The lease expires in late 2025 but no reliable estimate of damages can be provided however the costs likely to be incurred.
- The case of Virgin Media Ltd v. NTL Pension Trustees II Ltd has confirmed the requirement for trustees of an opted-out pension scheme proposing rule changes to obtain an actuarial certificate that the scheme will continue to provide benefits which are broadly equivalent to or better than the state scheme that members had opted out of. The case determined that if a rule had been amended without the support of a certificate the amendment was void, even where the "broadly equivalent" test would have been passed. This meant that benefits accrued under the scheme might have to be recalculated as if qualifying rule changes had never been made, with potentially far-reaching consequences. The Local Government Pension Scheme (LGPS) is an opted-out pension scheme. However, there has been some discussion about whether the case would have an impact, as rules changes about benefits are imposed through legislation rather than through decisions by the administering authority or employers. In November 2024, the LGA issued guidance in LGPS Bulletin 257 that reported that HM Treasury was still assessing the implications but did not believe the case expressly addresses whether actuarial certifications are required for public service pension schemes. Relevant amendments to public service schemes would have been made by legislation, which remains valid until it is revoked or repealed by subsequent legislation or (for regulations) specifically declared void by a court. The Government has in September 2025 tabled amendments to the Pension Schemes Bill that would allow for retrospective actuarial confirmations. This should leave only rule changes that did not meet the "broadly equivalent" test at risk of being voided. On the basis that there has been no statement from HM Treasury that the case applies to the LGPS and the fact that there has been no authoritative identification of rule changes that might be at risk of being voided, the Council has made a judgement not to include any provision within its pensions liabilities for the potential impact.

# Note 39 Contingent Assets

There are no contingent assets.

# Note 40 Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks, including:

- credit risk – the possibility that other parties might fail to pay amounts due to the authority
- liquidity risk - the possibility that the Council might not have funds available to meet its commitments to make payments
- market risk – the possibility that financial loss may arise for the Council as a result of changes in such measures as interest rates and stock market movements.

## Overall procedures for managing risk

The Council's overall risk management procedures focus on the unpredictability of financial markets and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework based on the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services (both revised in 2021) and investment guidance issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution
- by approving annually in advance prudential and treasury indicators for the following three years limiting: the Council's overall borrowing, its maximum and minimum exposures to the maturity structure of its debt, its management of interest rate exposure and its maximum annual exposures to investments maturing beyond a year
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with Government guidance.

These are required to be reported and approved at or before the start of the new financial year. These items are reported with the Annual Treasury Management Strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

The annual treasury management strategy which incorporates the prudential indicators was approved at the Council meeting on 22 February 2024 and is available on the Council website.

The key issues within the strategy were:

- the Authorised Limit for 2024/25 was set at £1,270m. This is the maximum limit of external borrowings or other long-term liabilities. This represents a limit beyond which external debt is prohibited
- the Operational Boundary was set at £1,170m. This is the expected maximum level of external debt during the course of the year and focuses on day-to-day treasury management activity. This limit is lower than the Authorised Limit because cash flow activities may lead to occasional, but not sustained, breaches of the Operational Boundary.
- the Council's current strategy for funding capital developments was to borrow, when necessary, as possible given in the context of current interest rate risk issues, while maintaining the investment portfolio that has been built up.
- moving forwards the Council's Capital Programme will continue to be reviewed and reduced beyond 2025-26, which will significantly reduce the need for future long term additional borrowing. The Council moving forwards will also be looking to generate capital receipts to enable the paying down of some of the long-term debt.
- the Council has significant levels of long-term borrowing of £1,042m as at 31st March 2025, which is a £11.9m reduction from previous year.
- Long term borrowing tends to be used to part fund purchase of properties for resettlement of refugee families and temporary accommodation (Local Authority Housing Fund – LAHF is provided to offset some of the (about 40% to 50% ) cost of purchase), financing spend on the new Spelthorne Leisure Centre, past regeneration schemes as well as some of the development and to fund in the past the acquisition of the investment properties portfolio.

Risk management is carried out by a central treasury team, under policies approved by the Council in the annual treasury management strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

### **Credit Risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers. This risk is minimised through the Annual Investment Strategy, which is available on the Council's website. The Annual Investment Strategy requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category.

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 an 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.

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.

### 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.

|                        | 2023/24      | 2024/25      |
|------------------------|--------------|--------------|
|                        | £'000        | £'000        |
| Less than three months | 1,588        | 6,840        |
| Three to six months    | 1,829        | 299          |
| Six months to one year | 484          | 413          |
| More than one year     | 449          | 895          |
| <b>Total</b>           | <b>4,350</b> | <b>8,448</b> |

Loss allowances (bad debt provision) 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 2024/25.

## Collateral and other credit enhancements

The Council has not either pledged collateral for liabilities or contingent liabilities or held collateral which is permitted to sell or re-pledge the collateral even if there has been no default.

## Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Treasury Management Code of Practice. This seeks to ensure that cash is available when needed. In the event of unexpected cash requirements, the Council has ready access from the money markets to cover any day-to-day cash flow need and the Public Works Loan Board (PWLb) and other local authorities, and at higher rates from banks and building societies. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no perceived risk that the Council will be unable to raise finance to meet its commitments under financial instruments. 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. The maturity analysis of financial liabilities as follows:

|                         | 2023/24          | 2024/25          |
|-------------------------|------------------|------------------|
|                         | £'000            | £'000            |
| Less than one year      | 33,877           | 26,969           |
| Between 1 and 2 years   | 0                | 0                |
| Between 2 and 5 years   | 0                | 0                |
| Between 5 and 20 years  | 23,065           | 23,944           |
| Between 20 and 40 years | 7,698            | 8,000            |
| Over 40 years           | 1,023,428        | 1,010,328        |
| <b>Total</b>            | <b>1,088,068</b> | <b>1,069,241</b> |

All trade and other payables are due to be paid in less than one year. The Council's only other long-term liabilities are a selection of rent deposits held from tenants, which are of small scale and unlikely to fall due at the same time - and a deferred lease calculation that has no cash impact and hence no liquidity risk.

## 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 Council. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense to the Comprehensive Income and Expenditure Statement will rise
- borrowings at fixed rates – the fair value of the liabilities borrowing will fall (no impact on revenue balances)
- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise
- investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances)

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or 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 and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The Council's Finance team monitors market and forecast interest rates within the year to adjust exposures appropriately. For instance, during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

According to this assessment strategy, at 31 March 2025, if all interest rates had been 1% higher (with all other variables held constant, the financial effect would be:

|  | 2023/24      | 2024/25   |
|--|--------------|-----------|
|  | £'000        | £'000     |
| Decrease in Fair Value of investments held at FVPL                     | (3)          | 0         |
| Increase in interest receivable on investments                         | 2            | 95        |
| <b>Impact on Surplus or Deficit on the Provision of Services</b>       | <b>(1)</b>   | <b>95</b> |
| Decrease in Fair Value of investments held at FVOCI                    | (304)        | 0         |
| <b>Impact on Comprehensive Income and Expenditure</b>                  | <b>(305)</b> | <b>95</b> |
| Decrease in Fair Value of loans and investments held at amortised cost | (1,031)      | 0         |
| Decrease in Fair Value of fixed rate borrowing                         | (88,706)     | (88,706)  |

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

### 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.

### Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

# Note 41 Prior Period Adjustments

During the preparation of the 2024/25 Statement of Accounts the Council identified the following issues requiring restatement of 2023/24:

1. Recognition of abortive costs – a decision was made to abort capital schemes by 31 March 2024, so the associated revenue costs were recognised in the same year. As the costs had been capitalised, this also meant reversing transactions in the Balance Sheet, i.e. additions to Property, Plant and Equipment. The revenue costs were funded by transfers from the Earmarked Reserves.
2. Review of the Fixed Asset Register (FAR) – a recent external audit identified a need to undertake a detailed review of the FAR in order to substantiate the balances carried on the Balance Sheet and therefore make the Statement of Accounts more robust. This review was done on an asset by asset basis and identified the need to correct prior year balances and some associated capital charges.
3. Correct LAHF Accounting – errors were identified in the accounting treatment for LAHF (Local Authority Housing Fund). LAHF The Council participated in the Local Authority Housing Fund (LAHF) that was launched by Department for Levelling Up, Housing and Communities (DLUHC) in December 2022. The purpose of the scheme was to deliver affordable housing to a number of Afghan and Ukrainian families under resettlement schemes, as well as a small number of temporary accommodation units to assist in meeting housing needs of homeless people in the borough. The purchased properties were transferred to Knowle Green Estate Ltd that is owned by the Council, and the company mission is to provide high-quality, affordable, and sustainable housing for Spelthorne residents. The accounting involved some complex, atypical entries which were reviewed and corrected to ensure proper accounting practices were being followed.
4. Correct Accounting for Capital Grants – a review of the accounting for capital grants identified errors in prior year which affected the CIES and MIRS. These errors were corrected.
5. Correcting Accounting for S106 liabilities – the council identified S106 liabilities being recognised as Earmarked Reserves within Usable Reserves. These were corrected and S106 liabilities are now recognised as long-term liabilities.

**Effect on the Comprehensive Income and Expenditure Statement for 2023-24:**

| <b>2023/24</b>   |                                      |                                  |  |  |   |   |                          |
|--|--------------------------------------|----------------------------------|--|--|---|---|--------------------------|
|  | Net Expenditure as Originally Stated | PPA 1 – Recognise Abortive Costs | PPA 2 – Review of Fixed Asset Register | PPA 3 – Correct LA Housing Fund Accounting | PPA 4 – Correct Accounting for Capital Grants | PPA 5 – Correct Accounting for S106 Liabilities | Restated Net Expenditure |
|  | £'000                                | £'000                            | £'000                                  | £'000                                      | £'000   | £'000   | £'000                    |
| <b>Community Wellbeing &amp; Housing</b>   | 4,864                                | 0                                | 2,195                                  | 1,376                                      | 0   | 155   | 8,589                    |
| <b>Corporate Policy and Resources</b>  | 8,637                                | 0                                | (34)                                   | 0  | 0   | 0   | 8,603                    |
| <b>Environment &amp; Sustainability</b>  | 6,428                                | 82                               | 1,843                                  | 0  | 0   | 0   | 8,353                    |
| <b>Business Infrastructure - Growth</b>  | 3,235                                | 14,968                           | 121                                    | 0  | 0   | 0   | 18,323                   |
| <b>Cost of Services</b>  | <b>23,163</b>                        | <b>15,050</b>                    | <b>4,125</b>                           | <b>1,376</b>                               | <b>0</b>                                      | <b>155</b>                                      | <b>43,869</b>            |
| Other Operating Expenditure  | 3,934                                | 0                                | (3)                                    | 2,437                                      | 0   | 0   | 6,367                    |
| Financing and Investment Income and Expenditure  | 113,193                              | 0                                | (156)                                  | 0  | 0   | 0   | 113,038                  |
| Taxation and Non-Specific Grant Income   | (17,170)                             | 0                                | 0                                      | 0  | 2,571   | 466   | (14,133)                 |
| <b>(Surplus) or Deficit on Provision of Services</b>   | <b>123,120</b>                       | <b>15,050</b>                    | <b>3,966</b>                           | <b>3,813</b>                               | <b>2,571</b>                                  | <b>466</b>                                      | <b>149,141</b>           |
| (Surplus) or Deficit on revaluation of Property, Plant and Equipment   | 4,438                                | 0                                | (18,715)                               | 0  | 0   | 0   | (14,277)                 |
| Remeasurements of the net defined benefit liability/asset  | (9,507)                              | 0                                | 0                                      | 0  | 0   | 0   | (9,507)                  |
| (Surplus)/Deficit from investments in equity instruments designated at fair value through other comprehensive income | (1,768)                              | 0                                | 0                                      | 0  | 0   | 0   | (1,768)                  |
| <b>Other Comprehensive (Income) and Expenditure</b>  | <b>(6,837)</b>                       | <b>0</b>                         | <b>(18,715)</b>                        | <b>0</b>                                   | <b>0</b>                                      | <b>0</b>  | <b>(25,552)</b>          |
| <b>Total Comprehensive (Income) and Expenditure</b>  | <b>116,283</b>                       | <b>15,050</b>                    | <b>(14,479)</b>                        | <b>3,813</b>                               | <b>2,571</b>                                  | <b>621</b>                                      | <b>123,589</b>           |

**Effect on the Movement in Reserves Statement for 2023/24 – Usable Reserves:**

| 2023/24   | Net<br>Amounts as<br>Originally<br>Stated | PPA 1 –<br>Recognise<br>Abortive<br>Costs | PPA 2 –<br>Review of<br>Fixed Asset<br>Register | PPA 3 –<br>Correct LA<br>Housing<br>Fund<br>Accounting | PPA 4 –<br>Correct<br>Accounting<br>for Capital<br>Grants | PPA 5 –<br>Correct<br>Accounting<br>for S106<br>Liabilities | Restated<br>Net<br>Expenditure |
|---|---|---|---|--|---|---|--------------------------------|
|   | £'000                                     | £'000                                     | £'000   | £'000  | £'000   | £'000   | £'000                          |
| <b>Balance brought forward 1st April 2023</b>                             | <b>(74,167)</b>                           | <b>0</b>                                  | <b>0</b>  | <b>0</b>   | <b>0</b>  | <b>0</b>  | <b>(74,167)</b>                |
| (Surplus)/Deficit on provision of services                                | 123,120                                   | 15,050                                    | 3,966   | 3,813  | 2,571   | 621   | 149,141                        |
| Other Comprehensive Income and Expenditure                                | 0   | 0   | 0   | 0  | 0   | 0   | 0                              |
| <b>Total Comprehensive Income and Expenditure</b>                         | <b>123,121</b>                            | <b>15,050</b>                             | <b>3,780</b>                                    | <b>3,813</b>   | <b>2,571</b>  | <b>621</b>  | <b>148,955</b>                 |
| Adjustments between accounting & funding basis under regulations (Note 8) | (125,769)                                 | 0   | (3,746)   | (6,250)  | (2,571)   | 0   | (138,336)                      |
| <b>Net (increase)/decrease before Transfers to Earmarked Reserves</b>     | <b>(2,649)</b>                            | <b>15,050</b>                             | <b>219</b>                                      | <b>(2,437)</b>   | <b>0</b>  | <b>621</b>  | <b>10,804</b>                  |
| Transfer to or from Earmarked Reserves (Note 9)                           | 0   | 0   | 0   | 0  | 0   | 0   | 0                              |
| <b>(Increase)/Decrease in-year</b>  | <b>(2,649)</b>                            | <b>15,050</b>                             | <b>219</b>                                      | <b>(2,437)</b>   | <b>0</b>  | <b>621</b>  | <b>10,804</b>                  |
| <b>Balance carried forward 31st March 2024</b>                            | <b>(76,815)</b>                           | <b>15,050</b>                             | <b>219</b>                                      | <b>(2,437)</b>   | <b>0</b>  | <b>621</b>  | <b>(63,362)</b>                |

**Effect on the Movement in Reserves Statement for 2023/24 – Unusable Reserves:**

| <b>2023/24</b>  | Net<br>Amounts as<br>Originally<br>Stated | PPA 1 –<br>Recognise<br>Abortive<br>Costs | PPA 2 –<br>Review of<br>Fixed Asset<br>Register | PPA 3 –<br>Correct LA<br>Housing<br>Fund<br>Accounting | PPA 4 –<br>Correct<br>Accounting<br>for Capital<br>Grants | PPA 5 –<br>Correct<br>Accounting<br>for S106<br>Liabilities | Restated<br>Net<br>Expenditure |
|---|---|---|---|--|---|---|--------------------------------|
|   | £'000                                     | £'000                                     | £'000   | £'000  | £'000   | £'000   | £'000                          |
| <b>Balance brought forward 1st April 2023</b>                             | <b>203,791</b>                            | <b>0</b>                                  | <b>0</b>  | <b>0</b>   | <b>0</b>  | <b>0</b>  | <b>203,791</b>                 |
| (Surplus)/Deficit on provision of services                                | 0   | 0   | 0   | 0  | 0   | 0   | 0                              |
| Other Comprehensive Income and Expenditure                                | (6,837)                                   | 0   | (18,715)  | 0  | 0   | 0   | (25,552)                       |
| <b>Total Comprehensive Income and Expenditure</b>                         | <b>(6,837)</b>                            | <b>0</b>                                  | <b>(18,715)</b>                                 | <b>0</b>   | <b>0</b>  | <b>0</b>  | <b>(25,552)</b>                |
| Adjustments between accounting & funding basis under regulations (Note 8) | 125,769                                   | 0   | 3,746   | 6,250  | 2,571   | 0   | 138,336                        |
| <b>Net (increase)/decrease before Transfers to Earmarked Reserves</b>     | <b>118,932</b>                            | <b>0</b>                                  | <b>(14,969)</b>                                 | <b>6,250</b>   | <b>2,571</b>  | <b>0</b>  | <b>112,784</b>                 |
| Transfer to or from Earmarked Reserves (Note 9)                           | 0   | 0   | 0   | 0  | 0   | 0   | 0                              |
| <b>(Increase)/Decrease in-year</b>  | <b>118,932</b>                            | <b>0</b>                                  | <b>(14,969)</b>                                 | <b>6,250</b>   | <b>2,571</b>  | <b>0</b>  | <b>112,784</b>                 |
| <b>Balance carried forward 31st March 2024</b>                            | <b>322,723</b>                            | <b>0</b>                                  | <b>(14,969)</b>                                 | <b>6,250</b>   | <b>2,571</b>  | <b>0</b>  | <b>316,575</b>                 |

**Effect on the Movement in Reserves Statement for 2023/24 – Total Reserves:**

| <b>2023/24</b>  | Net<br>Amounts as<br>Originally<br>Stated | PPA 1 –<br>Recognise<br>Abortive<br>Costs | PPA 2 –<br>Review of<br>Fixed Asset<br>Register | PPA 3 –<br>Correct LA<br>Housing<br>Fund<br>Accounting | PPA 4 –<br>Correct<br>Accounting<br>for Capital<br>Grants | PPA 5 –<br>Correct<br>Accounting<br>for S106<br>Liabilities | Restated<br>Net<br>Amounts |
|---|---|---|---|--|---|---|----------------------------|
|   | £'000                                     | £'000                                     | £'000   | £'000  | £'000   | £'000   | £'000                      |
| <b>Balance brought forward 1st April 2023</b>                             | <b>129,624</b>                            | <b>0</b>                                  | <b>0</b>  | <b>0</b>   | <b>0</b>  | <b>0</b>  | <b>129,624</b>             |
| (Surplus)/Deficit on provision of services                                | 123,120                                   | 15,050                                    | 3,966   | 3,813  | 2,571   | 621   | 149,141                    |
| Other Comprehensive Income and Expenditure                                | (6,837)                                   | 0   | (18,715)  | 0  | 0   | 0   | (25,552)                   |
| <b>Total Comprehensive Income and Expenditure</b>                         | <b>116,284</b>                            | <b>15,050</b>                             | <b>(14,749)</b>                                 | <b>3,813</b>   | <b>2,571</b>  | <b>621</b>  | <b>123,589</b>             |
| Adjustments between accounting & funding basis under regulations (Note 8) | 0   | 0   | 0   | 0  | 0   | 0   | 0                          |
| <b>Net (increase)/decrease before Transfers to Earmarked Reserves</b>     | <b>116,284</b>                            | <b>15,050</b>                             | <b>(14,749)</b>                                 | <b>3,813</b>   | <b>2,571</b>  | <b>621</b>  | <b>123,589</b>             |
| Transfer to or from Earmarked Reserves (Note 9)                           | 0   | 0   | 0   | 0  | 0   | 0   | 0                          |
| <b>(Increase)/Decrease in-year</b>  | <b>116,284</b>                            | <b>15,050</b>                             | <b>(14,749)</b>                                 | <b>3,813</b>   | <b>2,571</b>  | <b>621</b>  | <b>123,589</b>             |
| <b>Balance carried forward 31st March 2024</b>                            | <b>245,908</b>                            | <b>15,050</b>                             | <b>(14,749)</b>                                 | <b>3,813</b>   | <b>2,571</b>  | <b>621</b>  | <b>253,213</b>             |

| <b>Effect on the Balance Sheet for 2023/24:</b> | Net Amounts as Originally Stated | PPA 1 – Recognise Abortive Costs | PPA 2 – Review of Fixed Asset Register | PPA 3 – Correct LAHF Accounting | PPA 4 – Correct Accounting for Capital Grants | PPA 5 – Correct Accounting for S106 Liabilities | Restated Net Amounts |
|---|----------------------------------|----------------------------------|--|---------------------------------|---|---|----------------------|
|   | £'000                            | £'000                            | £'000                                  | £'000                           | £'000   | £'000   | £'000                |
| Property, Plant & Equipment                     | 177,979                          | (15,050)                         | 26,765                                 | (6,384)                         | 0   | 0   | 183,310              |
| Heritage Assets                                 | 203                              | 0                                | 0                                      | 0                               | 0   | 0   | 203                  |
| Investment Property                             | 625,210                          | 0                                | (11,845)                               | 0                               | 0   | 0   | 613,366              |
| Intangible Assets                               | 347                              | 0                                | 34                                     | 0                               | 0   | 0   | 381                  |
| Long-term Investments                           | 35,151                           | 0                                | 0                                      | 0                               | 0   | 0   | 35,151               |
| Long-term Receivables                           | 31,114                           | 0                                | 0                                      | 0                               | 0   | 0   | 31,114               |
| <b>Long-term Assets</b>                         | <b>870,004</b>                   | <b>(15,050)</b>                  | <b>15,139</b>                          | <b>(6,384)</b>                  | <b>0</b>                                      | <b>0</b>  | <b>863,525</b>       |
| Short-term Investments                          | 384                              | 0                                | 0                                      | 0                               | 0   | 0   | 384                  |
| Inventories                                     | 20                               | 0                                | 0                                      | 0                               | 0   | 0   | 20                   |
| Short-term Receivables                          | 10,492                           | 0                                | (205)                                  | 0                               | 0   | 0   | 10,287               |
| Cash & Cash Equivalents                         | 9,814                            | 0                                | 0                                      | 0                               | 0   | 0   | 9,814                |
| <b>Current Assets</b>                           | <b>20,710</b>                    | <b>0</b>                         | <b>(205)</b>                           | <b>0</b>                        | <b>0</b>                                      | <b>0</b>  | <b>20,505</b>        |
| Short-term Borrowing                            | (33,877)                         | 0                                | 0                                      | 0                               | 0   | 0   | (33,877)             |
| Short-term Payables                             | (23,367)                         | 0                                | 0                                      | 0                               | 0   | 0   | (23,367)             |
| Short-term Provisions                           | (1,234)                          | 0                                | 0                                      | 0                               | 0   | 0   | (1,234)              |
| Receipts in Advance                             | (15,627)                         | 0                                | 0                                      | 0                               | 0   | 0   | (15,627)             |
| Lease Liabilities                               | (304)                            | 0                                | 0                                      | 0                               | 0   | 0   | (304)                |
| <b>Current Liabilities</b>                      | <b>(74,409)</b>                  | <b>0</b>                         | <b>0</b>                               | <b>0</b>                        | <b>0</b>                                      | <b>0</b>  | <b>(74,409)</b>      |
| Long-term Borrowing                             | (1,054,191)                      | 0                                | 0                                      | 0                               | 0   | 0   | (1,054,191)          |
| Pension Scheme Liabilities                      | (6,151)                          | 0                                | 0                                      | 0                               | 0   | 0   | (6,151)              |
| S106 Liabilities                                | 0                                | 0                                | 0                                      | 0                               | 0   | (621)   | (621)                |
| Lease Liabilities                               | (1,871)                          | 0                                | 0                                      | 0                               | 0   | 0   | (1,871)              |
| <b>Long-term Liabilities</b>                    | <b>(1,062,213)</b>               | <b>0</b>                         | <b>0</b>                               | <b>0</b>                        | <b>0</b>                                      | <b>(621)</b>                                    | <b>(1,062,833)</b>   |
| <b>Net Assets/(Net Liabilities)</b>             | <b>(245,908)</b>                 | <b>(15,050)</b>                  | <b>14,749</b>                          | <b>(6,384)</b>                  | <b>0</b>                                      | <b>(621)</b>                                    | <b>(253,212)</b>     |
| Usable Reserves                                 | (76,815)                         | 15,050                           | 219                                    | (2,437)                         | 0   | 621   | (63,362)             |
| Unusable Reserves                               | 322,723                          | 0                                | (14,969)                               | 8,821                           | 0   | 0   | 316,575              |
| <b>Total Reserves</b>                           | <b>245,908</b>                   | <b>15,050</b>                    | <b>(14,750)</b>                        | <b>6,384</b>                    | <b>0</b>                                      | <b>621</b>                                      | <b>253,213</b>       |

# Collection Fund Accounts

## Collection Fund Revenue Accounts

The Collection Fund is an agent's statement that 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.

| Business Rates  | Council Tax     | Total            |                                    | Business Rates  | Council Tax     | Total            |
|---|-----------------|------------------|------------------------------------|-----------------|-----------------|------------------|
| 2023/24   | 2023/24         | 2023/24          |                                    | 2024/25         | 2024/25         | 2024/25          |
| £'000   | £'000           | £'000            |                                    | £'000           | £'000           | £'000            |
| <b>Income</b>   |                 |                  |                                    |                 |                 |                  |
| 0   | 0               | 0                | Prior Year Adjustments             | (3,843)         | (2,413)         | (6,255)          |
| 0   | 0               | 0                | Successful Appeals                 | (2,952)         | 0               | (2,952)          |
| 0   | (90,668)        | (90,668)         | Council tax receivable             | 0               | (96,066)        | (96,066)         |
| (46,805)  | 0               | (46,805)         | Business rates receivable          | (50,933)        | 0               | (50,933)         |
| (4,219)   | 0               | (4,219)          | Transitional protection            | (2,398)         | 0               | (2,398)          |
| <b>Contribution received based on Deficit/(Surplus)</b> |                 |                  |                                    |                 |                 |                  |
| 0   | (100)           | (100)            | Spelthorne Borough Council         | (1,462)         | 153             | (1,309)          |
| 0   | (1,895)         | (1,895)          | Surrey County Council              | (366)           | 1,214           | 848              |
| 0   | (340)           | (340)            | Surrey Police & Crime Commissioner | 0               | 239             | 239              |
| 0   | 0               | 0                | Central Government                 | (1,828)         | 0               | (1,828)          |
| <b>(51,204)</b>   | <b>(93,003)</b> | <b>(144,207)</b> | <b>Total Income</b>                | <b>(63,782)</b> | <b>(96,873)</b> | <b>(160,655)</b> |
| <b>Expenditure</b>                                      |                 |                  |                                    |                 |                 |                  |
| <b>Demands, precepts and shares</b>                     |                 |                  |                                    |                 |                 |                  |
| 21,397  | 8,765           | 30,161           | Spelthorne Borough Council         | 22,304          | 8,728           | 31,031           |
| 5,349   | 66,918          | 72,267           | Surrey County Council              | 5,576           | 69,009          | 74,585           |
| 0   | 12,407          | 12,407           | Surrey Police & Crime Commissioner | 0               | 12,697          | 12,697           |
| 26,746  | 0               | 26,746           | Central Government                 | 27,880          | 0               | 27,880           |
| <b>Charges to the Collection Fund</b>                   |                 |                  |                                    |                 |                 |                  |
| 1,433   | 873             | 2,306            | Bad Debt Provision                 | (2,707)         | (1,757)         | (4,463)          |
| 2,620   | 0               | 2,620            | Provision for Appeals              | 6,230           | 0               | 6,230            |
| 122   | 0               | 122              | Cost of Collection                 | 122             | 0               | 122              |
| <b>57,667</b>   | <b>88,963</b>   | <b>146,630</b>   | <b>Total Expenditure</b>           | <b>59,405</b>   | <b>88,677</b>   | <b>148,082</b>   |

|              |                |              |  |                |                 |                 |
|--------------|----------------|--------------|--|----------------|-----------------|-----------------|
| <b>6,644</b> | <b>(4,038)</b> | <b>2,602</b> | <b>(Surplus)/Deficit arising during the year</b> | <b>(4,378)</b> | <b>(8,196)</b>  | <b>(12,575)</b> |
| (6,555)      | (2,364)        | (8,920)      | (Surplus)/Deficit brought forward                | 9,560          | (6,403)         | 3,157           |
| 16,115       | (4,038)        | 12,077       | (Surplus)/Deficit arising during the year        | (4,378)        | (8,196)         | (12,575)        |
| <b>9,560</b> | <b>(6,403)</b> | <b>3,157</b> | <b>(Surplus)/Deficit carried forward</b>         | <b>5,182</b>   | <b>(14,599)</b> | <b>(9,417)</b>  |

## Note 1 Council Tax Base

Council Tax derives from charges raised according to the value of residential properties which have been classified into eight valuation bands at 1991 prices, the bands ranging from A to H. The Council Tax base for the year, i.e. the estimated number of chargeable dwellings in each band (adjusted for dwellings where discounts and reliefs apply), converted to an equivalent number of Band D dwellings, was as follows:

| <b>Band D equivalents 2023/24</b> | <b>Valuation band</b> | <b>Number of dwellings on Valuation List</b>   | <b>Number of chargeable dwellings</b> | <b>Ratio to band D</b> | <b>Band D equivalents 2024/25</b> |
|-----------------------------------|-----------------------|--|---------------------------------------|------------------------|-----------------------------------|
| 1                                 | A*                    | 1  | 1                                     | 5/9                    | 1                                 |
| 207                               | A                     | 374  | 319                                   | 6/9                    | 213                               |
| 919                               | B                     | 1,473  | 1,193                                 | 7/9                    | 928                               |
| 6,469                             | C                     | 8,508  | 7,316                                 | 8/9                    | 6,503                             |
| 12,722                            | D                     | 13,730   | 12,752                                | 9/9                    | 12,752                            |
| 11,056                            | E                     | 9,298  | 9,039                                 | 11/9                   | 11,048                            |
| 6,176                             | F                     | 4,364  | 4,310                                 | 13/9                   | 6,226                             |
| 3,383                             | G                     | 2,046  | 2,036                                 | 15/9                   | 3,393                             |
| 212                               | H                     | 110  | 110                                   | 18/9                   | 219                               |
| <b>41,145</b>                     | <b>Total</b>          | <b>39,904</b>                                  | <b>37,076</b>                         |                        | <b>41,283</b>                     |
| 40                                |                       | Number of band D equivalents in lieu           |                                       |                        | 24                                |
| (1,236)                           |                       | Allowance for losses on collection and appeals |                                       | 5.00%                  | (2,065)                           |
| <b>39,949</b>                     |                       | <b>Council Taxbase for 2024/25</b>             |                                       |                        | <b>39,242</b>                     |

## Note 2 Non-Domestic Rates

The Council collects non-domestic rates for its area, which are based on local rateable values multiplied by a national non-domestic rate multiplier. The total non-domestic rateable value for the Spelthorne area as at 31 March 2025 was £129,409,383 (2022/23: £128,776,948) and the national non-domestic rate multiplier for 2024/25 was £0.546 and £0.499 for small businesses (2023/24 was £0.511 and £0.499).

# Group Accounts

## Group Comprehensive Income and Expenditure Statement

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 funded from taxation (or rents). The Council raises taxation (and rents) 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 and the Movement in Reserves Statement.

| 2023/24 Restated* |                  |                 | 2024/25  |                   |                  |                 |
|-------------------|------------------|-----------------|--|-------------------|------------------|-----------------|
| Gross Expenditure | Gross Income     | Net Expenditure |  | Gross Expenditure | Gross Income     | Net Expenditure |
| £'000             | £'000            | £'000           |  | £'000             | £'000            | £'000           |
| 40,634            | (32,045)         | 8,589           | Community Wellbeing & Housing  | 53,199            | (31,310)         | 21,889          |
| 13,267            | (4,664)          | 8,603           | Corporate Policy and Resources   | 20,455            | (8,154)          | 12,301          |
| 14,965            | (6,611)          | 8,354           | Environment & Sustainability   | 16,983            | (6,298)          | 10,685          |
| 19,578            | (1,255)          | 18,323          | Business Infrastructure - Growth   | 27,564            | (2,390)          | 25,174          |
| <b>88,445</b>     | <b>(44,576)</b>  | <b>43,869</b>   | <b>Cost of Services</b>  | <b>118,201</b>    | <b>(48,153)</b>  | <b>70,049</b>   |
| 6,368             | 0                | 6,368           | Other Operating Expenditure  | 1,510             | (1,579)          | (69)            |
| 164,487           | (51,449)         | 113,038         | Financing and Investment Income and Expenditure  | 61,848            | (48,771)         | 13,077          |
| 19,814            | (33,948)         | (14,134)        | Taxation and Non-Specific Grant Income   | 21,213            | (53,801)         | (32,588)        |
| <b>279,114</b>    | <b>(129,973)</b> | <b>149,141</b>  | <b>(Surplus) or Deficit on Provision of Services</b>   | <b>202,772</b>    | <b>(152,304)</b> | <b>50,469</b>   |
|                   |                  | (14,277)        | (Surplus) or Deficit on revaluation of Property, Plant and Equipment   |                   |                  | (1,638)         |
|                   |                  | (9,507)         | Remeasurements of the net defined benefit liability/asset  |                   |                  | 4,848           |
|                   |                  | (1,768)         | (Surplus)/Deficit from investments in equity instruments designated at fair value through other comprehensive income |                   |                  | 251             |
|                   |                  | <b>(25,552)</b> | <b>Other Comprehensive (Income) and Expenditure</b>  |                   |                  | <b>3,461</b>    |
|                   |                  | <b>123,589</b>  | <b>Total Comprehensive (Income) and Expenditure</b>  |                   |                  | <b>53,930</b>   |

\* Prior year restatement details provided in Note 41

## Group Movement in Reserves Statement

The Movement in Reserves 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 net increase/decrease line shows the statutory General Fund Balance movements in the year following those adjustments. The 2023-24 figures are shown for comparison.

| 2024/25   | General Fund Balance | Earmarked Reserves | Capital Receipts Reserves | Capital Grants Unapplied | Total Usable Reserves | Total Unusable Reserves | Total Reserves |
|---|----------------------|--------------------|---------------------------|--------------------------|-----------------------|-------------------------|----------------|
|   | £'000                | £'000              | £'000                     | £'000                    | £'000                 | £'000                   | £'000          |
| Balance brought forward 1st April 2024                                    | (3,083)              | (56,746)           | (2,029)                   | (1,505)                  | (63,362)              | 316,390                 | 253,028        |
| <b>Balance brought forward 1st April 2024 Restated</b>                    | <b>(3,083)</b>       | <b>(56,746)</b>    | <b>(2,029)</b>            | <b>(1,505)</b>           | <b>(63,362)</b>       | <b>316,290</b>          | <b>252,928</b> |
| (Surplus)/Deficit on provision of services                                | 50,468               | 0                  | 0                         | 0                        | 50,468                | 0                       | 50,468         |
| Other Comprehensive Income and Expenditure                                | 0                    | 0                  | 0                         | 0                        | 0                     | 3,461                   | 3,461          |
| <b>Total Comprehensive Income and Expenditure</b>                         | <b>50,468</b>        | <b>0</b>           | <b>0</b>                  | <b>0</b>                 | <b>50,468</b>         | <b>3,461</b>            | <b>53,929</b>  |
| Adjustments between accounting & funding basis under regulations (Note 8) | (46,885)             | 0                  | (653)                     | (272)                    | (47,810)              | 47,810                  | 0              |
| <b>Net (increase)/decrease before Transfers to Earmarked Reserves</b>     | <b>3,583</b>         | <b>0</b>           | <b>(653)</b>              | <b>(272)</b>             | <b>2,658</b>          | <b>51,271</b>           | <b>53,929</b>  |
| Transfer to or from Earmarked Reserves (Note 9)                           | (4,566)              | 4,566              | 0                         | 0                        | 0                     | 0                       | 0              |
| <b>(Increase)/Decrease in-year</b>  | <b>(983)</b>         | <b>4,566</b>       | <b>(653)</b>              | <b>(272)</b>             | <b>2,658</b>          | <b>51,271</b>           | <b>53,929</b>  |
| <b>Balance carried forward 31st March 2025</b>                            | <b>(4,066)</b>       | <b>(52,179)</b>    | <b>(2,681)</b>            | <b>(1,778)</b>           | <b>(60,704)</b>       | <b>367,747</b>          | <b>307,044</b> |

## Movement in Reserves Statement (continued)

| 2023/24 Restated*   | General Fund Balance | Earmarked Reserves | Capital Receipts Reserves | Capital Grants Unapplied | Total Usable Reserves | Total Unusable Reserves | Total Reserves |
|---|----------------------|--------------------|---------------------------|--------------------------|-----------------------|-------------------------|----------------|
|   | £'000                | £'000              | £'000                     | £'000                    | £'000                 | £'000                   | £'000          |
| <b>Balance brought forward 1st April 2023</b>                             | <b>(2,083)</b>       | <b>(68,770)</b>    | <b>(1,536)</b>            | <b>(1,777)</b>           | <b>(74,166)</b>       | <b>203,791</b>          | <b>129,625</b> |
| (Surplus)/Deficit on provision of services                                | 149,141              | 0                  | 0                         | 0                        | 149,141               | 0                       | 149,141        |
| Other Comprehensive Income and Expenditure                                | 0                    | 0                  | 0                         | 0                        | 0                     | (25,552)                | (25,552)       |
| <b>Total Comprehensive Income and Expenditure</b>                         | <b>149,141</b>       | <b>0</b>           | <b>0</b>                  | <b>0</b>                 | <b>149,141</b>        | <b>(25,552)</b>         | <b>123,589</b> |
| Adjustments between accounting & funding basis under regulations (Note 8) | (138,116)            | 0                  | (493)                     | 272                      | (138,337)             | 138,337                 | 0              |
| <b>Net (increase)/decrease before Transfers to Earmarked Reserves</b>     | <b>11,025</b>        |                    | <b>(493)</b>              | <b>272</b>               | <b>10,804</b>         | <b>112,785</b>          | <b>123,589</b> |
| Transfer to or from Earmarked Reserves (Note 9)                           | (12,025)             | 12,025             | 0                         | 0                        | 0                     | 0                       | 0              |
| <b>(Increase)/Decrease in-year</b>  | <b>(1,000)</b>       | <b>12,025</b>      | <b>(493)</b>              | <b>272</b>               | <b>10,804</b>         | <b>112,785</b>          | <b>123,589</b> |
| <b>Balance carried forward 31st March 2024</b>                            | <b>(3,083)</b>       | <b>(56,745)</b>    | <b>(2,029)</b>            | <b>(1,505)</b>           | <b>(63,362)</b>       | <b>316,576</b>          | <b>253,214</b> |

\* Prior year restatement details provided in Note 41

## Group Balance Sheet

The Group Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Group.

| 31 Mar 24<br>Restated* |                              | 31 Mar 25          |
|------------------------|------------------------------|--------------------|
| £'000                  |                              | £'000              |
| 183,310                | Property, Plant & Equipment  | 138,030            |
| 203                    | Heritage Assets              | 196                |
| 613,366                | Investment Property          | 583,106            |
| 381                    | Intangible Assets            | 531                |
| 35,151                 | Long-term Investments        | 2,965              |
| 31,114                 | Long-term Receivables        | 63                 |
| <b>863,525</b>         | <b>Long-term Assets</b>      | <b>724,891</b>     |
| 384                    | Short-term Investments       | 8,046              |
| 0                      | Assets held for Sale         | 17,006             |
| 20                     | Inventories                  | 26                 |
| 10,287                 | Short-term Receivables       | 18,416             |
| 9,814                  | Cash & Cash Equivalents      | 9,355              |
| <b>20,505</b>          | <b>Current Assets</b>        | <b>52,849</b>      |
| (33,877)               | Short-term Borrowing         | (26,969)           |
| (23,342)               | Short-term Payables          | (23,445)           |
| (1,234)                | Short-term Provisions        | 0                  |
| (15,627)               | Receipts in Advance          | (21,647)           |
| (304)                  | Lease Liabilities            | (505)              |
| <b>(74,409)</b>        | <b>Current Liabilities</b>   | <b>(72,566)</b>    |
| (1,054,191)            | Long-term Borrowing          | (1,042,272)        |
| (6,151)                | Pension Scheme Liabilities   | (10,461)           |
| (621)                  | S106 Liabilities             | (417)              |
| 0                      | Long-term Provisions         | (2,156)            |
| (1,871)                | Other long-term Liabilities  | 43,089             |
| <b>(1,062,834)</b>     | <b>Long-term Liabilities</b> | <b>(1,012,217)</b> |
| <b>(253,213)</b>       | <b>Net Liabilities</b>       | <b>(307,043)</b>   |

\* Prior year restatement details provided in Note 41

Signed  
Mr Terry Collier  
CPFA, CA  
Section 151 Officer,  
Chief Finance Officer,  
Interim Chief Executive,  
Spelthorne Borough Council

Dated: 24/02/2026

|                |                       |                |
|----------------|-----------------------|----------------|
| (63,362)       | Usable Reserves       | (60,703)       |
| 316,575        | Unusable Reserves     | 367,747        |
| <b>253,213</b> | <b>Total Reserves</b> | <b>307,043</b> |

## Group Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Group 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.

| <b>2023/24</b>   |   | <b>2024/25</b> |
|------------------|---|----------------|
| <b>Restated*</b> |   |                |
| £'000            | Notes   | £'000          |
| 149,141          | Surplus on the Provision of Services  | 50,468         |
| (144,813)        | Adjustments to surplus on the Provision of Services for non-cash movements                      | (54,285)       |
| (1,160)          | Adjustments to surplus on the Provision of Services that are Investing and Financing Activities | (12,801)       |
| 3,168            | Net Cash Flow from Operating Activities   | (16,619)       |
| 22,984           | Net Cash Flows from Investing Activities  | (2,065)        |
| 7,924            | Net Cash Flows from Financing Activities  | 19,143         |
| <b>34,076</b>    | <b>Net (increase)/decrease in Cash &amp; Cash Equivalents</b>                                   | <b>459</b>     |
| 43,890           | Cash & Cash Equivalents at the beginning of the reporting period                                | 9,814          |
| (34,076)         | Net increase/(decrease) in Cash & Cash Equivalents  | (459)          |
| <b>9,814</b>     | <b>Cash &amp; Cash Equivalents at the end of the reporting period</b>                           | <b>9,355</b>   |

\* Prior year restatement details provided in Note 41

# Annual Governance Statement (AGS)

## Annual Governance Statement 2024-25

### Introduction

As Leader and Chief Executive, we are acutely aware that everything the Council does relies upon a foundation of solid governance. During 2024-25 we have received critical and challenging feedback on our governance and financial arrangements from firstly our external auditors and secondly from the publication of the Best Value Inspection Report on the Council. This feedback relates to issues which had developed over a period of years, going back to 2018-19, and would have been more promptly addressed if the Council had not gone through a five year period without the benefit of external audits. The Council is focused on making improvements in the coming financial year which address the recommendations of the external reviews. We now have a set of Commissioners, with whom the Council is actively working with to progress and deliver an Improvement and Recovery Plan. Each of the five themes in the emerging Improvement and Recovery Plan (Local Government Reorganisation; Finance; Commercial; Regeneration & Housing; and Governance & Assurance) will have a lead officer, lead commissioner and lead councillor, and update reports will be presented at the Improvement and Recovery Board and Corporate Policy and Resources Committee to ensure transparency and accountability. The Improvement and Recovery Plan will be a key document moving forwards in addressing all 13 recommendations in the Best Value Inspection Report. The Audit Committee (in parallel with the Corporate Policy and Resources Committee, and the Improvement and Recovery Board) will be monitoring progress against the recommendations, primarily through the progress reports on the Improvement and Recovery Plan.

As a result of Local Government Reorganisation, Spelthorne, as well as all Surrey councils, will be replaced by two unitary authorities in April 2027 with Spelthorne becoming part of West Surrey Council. This reinforces the need for us to demonstrate high standards of controls and governance as we move towards passing on our assets and liabilities to a new authority. This statement provides a review of how the Council's controls and governance arrangements operate, and an assessment against the seven principles of the CIPFA/SOLACE framework "Delivering Good Governance in Local Government" (2016); it also outlines progress against issues identified in the last year's Annual Governance Statement and set out key areas of focus for 2025/26.

### The Purpose of the Annual Governance Statement

The Annual Governance Statement considers the effectiveness of our governance arrangements throughout 2024/25. It is an objective and honest appraisal of the effectiveness of our governance framework. It highlights where we have identified any governance weaknesses, particularly having regard to recent external reviews and external audit reports, but also where we want to further develop and improve them to ensure that we have as effective governance arrangements.

### Reviewing our Effectiveness and the Governance Framework

The governance framework comprises the systems and processes, culture, and values by which the Council is enabled, directed, and controlled and through which it accounts to, engages with, and leads the community. Part of that framework involves the management of risk. No risk management process can eliminate all risks and can therefore only provide reasonable and not absolute assurance of effectiveness. The Council's risk management approach in response to feedback from the Best Value Inspection and external audit reports is being significantly refreshed in 2025-26. The Corporate Risk Register is subject to regular review by the corporate Management Team (MAT), at Audit Committee, Corporate Policy and Resources Committee, and the Officer Corporate Risk Management Group throughout the year. The Audit Committee review all strategic risks at every meeting of the Committee.

To support the development of the AGS, the following sections reflect the activity undertaken to review the effectiveness of governance across the Council:

- Corporate Risk Register which monitors the management of threats, concerns, and issues across the Council.
- The work of the designated Data Protection Officer (DPO).
- The work of the Audit Committee which includes responsibility for monitoring the development and operation of corporate governance in the Council.
- The Council's internal management processes, such as performance monitoring and reporting; the staff continuous performance management framework; employee awareness of corporate policies; monitoring of policies such as the corporate complaints and health and safety policies and budget management systems, which is regularly refreshed at staff meetings.
- The reports of the Council's External Auditor.
- The consideration of any significant matters arising in the year, which are discussed and monitored by various Committees.
- Recommendations from external review agencies and inspectorates, such as Best Value Inspectors. Specific governance assurance statements are provided from the following statutory officers.
- An annual self-assessment assurance process by Group Heads and MAT members to prompt consideration of the existence and adequacy of governance arrangements during 2024/25.

#### **a) Head of Paid Service**

As Chief Executive and the Head of Paid Service, I am responsible for the overall corporate and operational management of the Council.

As I look back on 2024/25, I am delighted that the Council has continued to serve its residents well; our Residents Survey attracted over 1,700 responses in which Spelthorne scored particularly well corporately in relation to service delivery, value for money, trust, keeping residents informed and acting on residents' views (as benchmarked against Local Government Association national figures).

Moreover, Spelthorne achieved the best score ever recorded by any council on how satisfied staff feel with their 'employment deal' - the balance between corporate support and employee empowerment to deliver their responsibilities - since the LGA / Kinetiq started the survey in 2012. I would like to thank colleagues here at the Council whose hard work, professionalism and drive to deliver excellent services for residents for that is what is behind our positive results.

Despite the challenging time for local government, especially in Surrey as we work towards implementing Local Government reorganisation by April 2027, we continue to be bold, brave and innovative. During 2024-25 we opened the world's largest Passivhaus Leisure Centre (voluntary building performance standard for very high energy efficiency) and have already secured national recognition for its design and commitment to reducing our carbon footprint alongside our corporate Carbon Literacy bronze accreditation.

However, despite the achievements set out above, I and the senior management team of the Council, recognise that the Council needs to take on board and own addressing the improvement recommendations set out in External Audit and Best Value Inspection Reports delivered during 2024-25. This AGS sets out in full the Best Value Recommendations and references the external audit recommendations. These recommendations were uncomfortable reading, and we are focused on addressing them before we hand on responsibility to the successor unitary. Moving forwards, the Council is working collaboratively with the Commissioners to deliver an Improvement and Recovery Plan due to be presented to Council in October 2025. The plan will be owned by senior councillors and officers and will be monitored on a regular basis by the Improvement and Recovery Board chaired by the Lead Commissioner, Corporate Policy and Resources Committee and Audit Committee.

Like most councils, we face a challenging medium-term future and the uncertainties of local government funding reform. The Council is looking to drive transformation and savings across many areas of the Council to assist in closing the budget gap we face for 2026-27. The government's Local Government Reorganisation White Paper and Surrey's accelerated devolution timeline will necessitate significant ramping up of the transformation processes.

Along with our Corporate Risk Register, which assists the Council in maintaining efficient and effective corporate governance, the Council recognises the imperative to manage risk and provide MHCLG assurance that we are actively supporting the areas for improvement presented in this Annual Governance Statement and look forward to another year putting our residents at the very heart of everything we do.

## **b) Section 151 Officer**

As the Council's designated S151 Officer, I am responsible for the Council's financial governance, risk and control frameworks which ensure that the Council's financial decision-making is both lawful and prudent. I am also responsible, in accordance with the statutory requirements set out in the Local Government Act 1972, for the proper administration of the Council's financial affairs.

I am satisfied that the Council's arrangements are sufficient to meet the minimum thresholds set out under statute. However, I recognise the need to address the recommendations of both the external auditors' Annual Audit and Audit Findings reports and the Best Value Inspection report with respect to financial governance and processes. This includes ensuring that the Council has a compliant Minimum Revenue Provision (MRP) Policy (Minimum Revenue Provision being the requirement that Councils make provision to pay down unfinanced capital expenditure over a prudent period of time), which has now been addressed by the Council approving a new MRP policy on 17th November 2025. Before the end of 2024-25, the Council took steps to begin to refresh and strengthen the Finance team including appointing a new Interim Deputy Chief Finance Officer, and Council approving budget growth of £160k for 2025-26. During 2024-25, we commenced a new internal audit partnership arrangement working with the Southern Internal Audit Partnership. As to be expected in the first year of operation of the partnership, there have been some challenges in the pace of delivery of audit reports and the Council's senior management is working with SIAP to ensure improvement in 2025-26.

To address the Best Value Inspection and external audit financial related recommendations, within the Improvement and Recovery Plan, approved by Council on 23rd October 2025, there is a Finance theme for which I am the Senior Responsible Officer for ensuring delivery of the improvement deliverables. Progress on this theme, as with the other Best Value themes, will be monitored by the Improvement and Recovery Board, Corporate Policy and Resources Committee and Audit Committee, with regular reports to the Ministry of Housing Communities and Local Government (MHCLG). In this theme, I work alongside the Finance

Commissioner. The lead Councillor for the theme, Councillor Nichols, is being appraised of progress. There will also be regular progress updates on the Finance theme to the Improvement and Recovery Board.

The Council, along with the rest of the sector, continues to experience financial challenges, having identified in February 2025 a significant Budget gap for 2026-27. This was factoring in the potential adverse impact of the Local Government Funding reform changes starting to take effect in 2026-27. In addition, the Council will need to take a significantly more cautious view with respect to the amount of funds required to be set aside over time to ensure that, over the longer term, the Council has sufficiently robust reserves to cushion the impact of implementing a new MRP policy and rationalising its investment assets portfolio. The Council during 2024-25 received the Best Value Inspection report and Directions which include a requirement to reduce the level of external debt the Council holds. This is a key focus of the Improvement and Recovery Plan and, amongst other things, will be linked to a medium term assets disposal programme. During 2024-25, the Government placed Surrey councils on an accelerated path towards Local Government Reorganisation which meant work began during 2024-25 to start to model unitary permutations with joint working across the Surrey Councils. In the context of Local Government Reorganisation and addressing the BVI Directions, the Council is focused on putting its 2026-27 Budget on a sustainable financial budget.

### **c) Monitoring Officer**

As the Group Head for Corporate Governance and the Monitoring Officer, I am responsible for ensuring both elected Members and Officers uphold high standards of behaviour and conduct in adherence of the law, good governance and high standards in public life. The need to maintain absolute transparency and confidence in our governance arrangements was and remains critical to maintaining public support and confidence.

The areas of improvement set out in this Annual Governance Statement are noted and councillors, Commissioners and officers of the Council are working together to secure the required improvements. We will build on the work undertaken to date with a view to ensuring that good governance is embedded in day-to-day operational practice.

### **Best Value Inspection**

In May 2024, following on from the Chartered Institute of Public Finance and Accountancy (CIPFA) review in the previous year, the Minister announced a Best Value Inspection (BVI) to review the extent to which the Council was delivering against the Best Value standards. The BVI review was originally intended to finish by 31 August 2024 but was extended due to the impact of the timing of the General Election leading to a delay in appointing the third and fourth BV Inspectors. The Review concluded at the end of January 2025, and the Government published the BVI report in March 2025. The BVI Report sets out 13 Recommendations as follows:

- 1. Commissioner-led intervention:** The Secretary of State should consider appointing Commissioners with expertise in finance, commercial investments, property, and transformation to oversee the Council's recovery process and ensure effective governance.
- 2. Comprehensive commercial strategy:** The Council should, with Commissioners' support, develop a comprehensive commercial strategy, with clear approaches to its investment and regeneration portfolios, including exit strategies for the commercial investments and realistic and deliverable strategies for the regeneration sites. Progress should be reported regularly to Committees, alongside an annual report to full Council. The sinking fund should be updated with more accurate income and expenditure forecasts, with adequate provisions made for future costs.

**3. Review and strengthen assets function:** The Council should, with Commissioners' support, review its assets function, ensuring that it has the necessary skills and experience to manage the high risks associated with its investment and regeneration portfolios. Consultants should be used more effectively.

**4. Review of MRP provision and accounts treatment for suspended capital projects:** The Council should urgently review its current MRP provision with its external auditors, Grant Thornton, as it is underfunded. Additionally, revenue costs associated with suspended capital projects should be charged to the 2024/25 accounts.

**5. Revised Medium-Term Financial Strategy (MTFS):** The Council, with Commissioners' support, should update its MTFS to reflect the costs and risks identified in this report and by their external auditors. The MTFS should align with the new commercial strategy and include proactive measures to reduce costs and improve financial viability.

**6. Debt reduction strategy:** The Council should, with Commissioners' support, develop a comprehensive debt reduction strategy to achieve a prudent level of debt within a realistic timeframe to ensure long-term financial stability.

**7. Transformation strategy development:** The Council should, with Commissioners' support, secure additional expertise to develop a comprehensive transformation strategy to deliver the savings outlined in its MTFS.

**8. Review and strengthen finance function:** The Council should, with Commissioners' support, review its finance function, identifying gaps in skills and ensuring the recruitment of individuals with the necessary skills and experience to address the high financial risks.

**9. Improvement and recovery plan:** The Council should develop a comprehensive improvement and recovery plan, integrating recommendations from KPMG, CIPFA, the LGA, and the external auditor as per their January 2025 reports, with quarterly progress reports to both the Audit Committee and the Corporate Policy and Resources Committee, alongside an annual report to full Council.

**10. Revised Corporate Plan:** The Council should revise its Corporate Plan to ensure it is achievable and supported by a performance framework, establishing a golden thread between the Corporate Plan, the budget, service plans, and individual appraisals. Quarterly progress updates should be made to Committees, alongside an annual report to full Council.

**11. Audit Committee structure:** The Council should review the structure and reporting processes of its Audit Committee. This could include recruiting a second independent member who acts as chair, in line with CIPFA guidance, and ensuring annual reports to Council.

**12. Culture reset and relationship building:** The Council should, with Commissioners' support, reset its culture and rebuild relationships between members and senior officers.

**13. Housing delivery:** The Council should, with Commissioners' support, develop a realistic plan to deliver housing numbers outlined in its Local Plan and assess the viability of Knowle Green Estates, developing a business case and future options for the company and the housing it currently manages.

The Council is pro-actively engaging and working with the Commissioners to implement and an Improvement and Recovery Plan (IRP) to deliver all the recommendations in the BVI report. Progress will be reported quarterly to the Improvement and Recovery Board and to MHCLG. The IRP is now being refined

and was approved by Council on 23<sup>rd</sup> October 2025. The Council is putting in place, in collaboration with the Commissioners, a Programme Coordinator to ensure that the Improvement and Recovery Plan is effectively monitored and implemented.

## Governance arrangements

### 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. 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 17 July 2025.

**Policy Framework.** We have a number of important policies which are approved by a majority of all councillors. These are reviewed regularly. One of our key policies is the Local Plan which has completed Public Examination and is now at Main Modifications stage (and waiting a final decision from the Inspector).

**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. Our Corporate Governance Code is set out in the Constitution.

**Scrutiny of decisions.** During the period to which this Annual Governance Statement covers, the majority of decisions were 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 certain areas of policy decisions. Moving forwards the Audit Committee is going to increase its frequency of meetings to six per annum. This will assist the Committee in monitoring progress of the Action Plans designed to address the Annual Audit Report and Audit Findings Report for 2023-24. In addition, the Council is actively attempting to appoint another lay member to the Audit Committee to further enhance the Audit Committee's oversight of the Council's reporting and processes.

The structure of the Committee system was reviewed in 2024; the number of the committees and their terms of reference have been revised, and the updated structure has been in place since May 2024. Internal audit of the Council's decision making and accountability is currently in train, and this will test the effectiveness of the revised Committee system.

In the course of the revisions to the Committee System, the sub-committee of the Corporate Policy and Resources Committee was replaced with a new sub-committee to provide leadership, decision making and accountability for the management of the Council's investment properties and commercial assets. The Council's strategic property investments (that the authority made up to 2018) which generate a commercial revenue stream that supports many community

focused services, continue to be a focus on how decisions around the management of these assets are made and how risks are mitigated and managed. The new sub-committee allows for timely decision making and where appropriate recommendations to the Corporate Policy and Resources Committee which ensures appropriate democratic oversight of matters relating to the Council's strategic property portfolio.

The Improvement and Recovery Plan will address the risks relating to our investment assets such as refreshing our Sinking Fund Reserves modelling and a considered assets disposal programme of the sites held for housing and regeneration purposes. Ahead of this, two sites, a housing site in Ashford and a regeneration site, were approved by Council on 18th March 2025 to be sold, generating receipts which will enable the early repayment of some debt held by the Council, although subsequently the first sale proved abortive.

**Knowle Green Estates Ltd (KGE):** We have ensured that KGE has independent auditors and that such audits feed into the Council's overall Statement of Accounts. Since December 2020, two experienced Non-Executive have been in post to provide independent challenge and scrutiny. The 2023-24 annual report can be read on the Council website. KGE 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 2023-24 received a clean audit opinion and show on the Total Comprehensive Income and Expenditure statement a £1.2m total comprehensive income for the year, and net equity in the company of £5.6m. The acquisition of TA units during 2024-25 significantly improved the financial resilience of the company. As part of the Housing and Regeneration theme of the IRP, the Council has commissioned external experts to review KGE's long term viability and to suggest options.

Both the Annual Audit Report and the Best Value Inspection report, following on from the CIPFA Assurance report highlighted the potential conflict of interest of having the Council's Chief Finance Officer (S151 officer) as a member of the KGE Board. This has been addressed with the S151 Officer stepping off the Board in January 2025. The Board is also now chaired by an independent Non-Executive Director. During January to March 2025, the Members Task and Finish Group focused on KGE began reviewing Governance arrangements for the company together with the Business Plan, which is being fully updated.

**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 2023-24 Accounts. Work has now started on preparing for the audit of the 2024-25 Accounts. The 2023–2024 annual report can be read on the Council website. The Council has now appointed a councillor representative to sit on the SDS Board.

## Commercial Property Investments

Thirty eight 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 deliver best value for the Council. 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 million pounds portfolio. We will continue to do this. The Council's portfolio performed well with more than 98.8% of the commercial rent invoiced for 2024-25 collected (2023-24- 99.1%).

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 £26.3m. 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 did a major refresh of our sinking fund modelling which in turn informed our medium term financial projections which identified the need over time to put more funds into the reserves to ensure that in future years that we have a sufficient safety cushion when leases for key tenants come up for renewal. The modelling was then reviewed by an external sector expert. However, moving forwards with the rationalisation of assets to be undertaken as part of the Improvement and Recovery plan the rationale for holding sinking funds reserves is changing and this will be reviewed as part of the revised Reserves Strategy.

## **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. Whilst a balanced budget was achieved for 2025-26, in 2026-27 when it is expected that all the Surrey councils will see a drop in government funding, there is a projected budget gap of just over £2m (this is before taking into account impacts of revised MRP policy and refinancing). The Improvement and Recovery Plan will be focused on addressing this through a number of elements including a Transformation programme overseen by the Reorganisation and Transformation Board, and a non-performing assets rationalisation programme designed to enable debt reduction delivering financing savings reducing the Budget gap to achieve a balanced budget. This work will be agreed with the Commissioners.

## **External Audit**

In addition to the Best Value Inspection report, the External Auditors Annual Audit Report 2024-25 made challenging reading for the Council with a number of themes overlapping with the Best Value Inspection Report – (Public Pack) Extraordinary Audit Committee, 25 February 2025 - Supplementary Agenda, Item 4 Agenda Supplement for Audit Committee, 25/02/2025 19:00 and the Audit Findings report can be found on the Council website.

In line with the national backstop arrangements designed to clear a backlog which at one point totalled more than 900 overdue external audit opinions across the country, the Council and its outgoing auditors BDO cleared Statements of Accounts for period 2017-18 to 2022-23 at the end of November 2024. This involved the Audit Committee accepting disclaimed audit opinions on the Accounts, in order to enable the incoming auditor Grant Thornton to conclude auditing 2023-24 Statement of Accounts, although they have yet to issue their Value for Money reports for the period 2018-19 to 2022-23. However, because Grant Thornton were unable to rely on open balances, they were obliged to issue a disclaimed opinion for 2023-24. Grant Thornton did undertake a significant amount

of work on 2023-24 and issued an Annual Audit Report with seven key recommendations covering a range of financial, governance, assets, procurement and risk management issues.

Grant Thornton also issued an Audit Findings report focused on the processes, underlying assumptions and disclosures supporting the 2023-24 Statement of Accounts. After a gap of 5 years, there was a significant learning curve for financial officers as to the requirements of auditors.

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     |
|---|----------------|
| 2018-19 to 2022-23                      | BDO            |
| 2023-24 to 2028-29                      | Grant Thornton |

Note KPMG responsible for 2017-18

The Audit Committee agreed action plans to address both Audit reports' recommendations, and progress against these actions will be reported to every meeting of the Audit Committee, although that has subsequently been superseded by the Improvement and Recovery Plan being put in place in partnership with the Commissioners. In order to closely monitor progress, the number of Audit Committee meetings has been increased from three to six for the year 2025-26.

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. The Council looks to positively engage with the Best Value Inspection process. The Council is not acquiring any more investment assets, and indeed under the latest regulations it would not be allowed to do so, 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. A review is being undertaken as part of the Improvement and Recovery Plan to consider whether for each investment asset they should be disposed or retained and, if the former, within what timeframe.

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 – for example, we have reviewed 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.

### Internal audit

Following a selection process, Council at its February 2024 meeting voted to join the Southern Internal Audit Partnership (SIAP) with effect from 1<sup>st</sup> April 2024. The in-house Internal Audit Manager transferred across to SIAP. The new service provided by SIAP commenced in April, and there was an initial period of SIAP working the Council to agree an Audit Plan for the year which was presented to the Audit Committee. Due to the new arrangement starting on 1<sup>st</sup> April the agreement of the Audit Plan was later than normally would be the case. This has meant audits have been backloaded towards the later part of the year. This was also compounded by an attempt to minimise duplication with the Best Value Inspection process. The Council receives assurance on the effectiveness of the delivery of internal audit through the reporting SIAP provides to the Audit Committee demonstrating compliance with Global Internal Audit Standards (GIAS)

and other Internal Audit national guidance, through its Internal Audit Charter approved each year by the Committee and from the annual stakeholder survey SIAP undertake each year.

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

Positive progress continues in the delivery of the internal audit annual plan 2024/25, however, following a delayed start to the year and challenges to officer capacity, the annual internal audit conclusion was presented to the September 2025 meeting of the Audit Committee.

From the work carried out to date, it is anticipated that internal audits overall conclusion on the framework of governance, risk management and control will conclude in a 'limited assurance' opinion. This position will continue to be assessed throughout the completion of the 2024/25 internal audit plan and through the continued assessment of other relevant sources of assurance.

A final internal audit opinion on the framework of governance, risk management and control for 2024/25 will be concluded for contribution to and incorporation within the final version of the Annual Governance Statement (2024/25) in September 2025 and will be reported to the Audit Committee.

## **Review of the Governance Framework**

The Council's governance arrangements are designed to secure compliance with the principles set out in the CIPFA/SOLACE Framework for "Delivering Good Governance in Local Government" (2016). Spelthorne is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for, and used economically, efficiently, and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency, and effectiveness.

The Council meets the standards of the framework in the following ways:

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

The Council's Constitution defines the roles/responsibilities of the Council, service and regulatory committees, and statutory officers and sets out how these roles are discharged, and the delegations extended to officers and Councillors. Codes of Conduct are in place for councillors and officers and are set out in the Council's Constitution. The member/officer protocol sets out relationship expectations. All new councillors and officers receive training on the expected behaviours.

We have numerous policies and procedures in the Constitution to back up a strong ethical approach to local government, including Gifts, Hospitality and Sponsorship, Whistleblowing, Counter Fraud, Bribery and Corruption.

The Council's Standards Committee is responsible for upholding high standards of behaviour from the elected members. This Committee is guided by an Independent Chairman and Vice-Chairman.

In the year 1 April 2024 to 31 March 2025, there were 22 complaints against Members. This is an increase from 9 during the previous year. A number have been rejected by the Monitoring Officer as being politically motivated or insufficient evidence to support the complaint. The Standards Committee received update reports on the number and types of complaints.

The Council's Chief Finance Officer and Monitoring Officer have specific statutory responsibilities to ensure that decisions taken by the Council are lawful and in line with constitutional requirements. The Council's statutory officers meet with the Chief Executive monthly to discuss any emerging issues or matters of concern.

## **B – Ensuring openness and comprehensive stakeholder engagement**

All Council and Committee meetings are held in public save for instances where confidential or exempt information is being presented when the public is excluded. The Council is striving to keep such instances to a minimum, and advice is sought from the Monitoring Officer whether an exemption from public disclosure is appropriate to ensure that the decision making takes place in the public domain.

All Committee reports are published on the Council's website in advance of the relevant meeting. The Best Value Inspection Report commented on the timeliness of some of the Council's reports. The Council has reviewed internal processes to ensure that all reports are published within the required timescales to afford sufficient time for the elected members and the public to read those reports for full transparency. As a result of this review, a new report template had been devised with the view to improving transparency and decision making. The effectiveness of the new measures will be reviewed periodically, and corrective action will be taken as appropriate.

The Council consults regularly with stakeholders, taxpayers, and service users. 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.

During 2024-25, the Council undertook a Residents' Survey and when comparing with the Local Government Association benchmark for how well residents feel informed by the Council, 65% were satisfied, well above the average of 54%.

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 2024, we worked in partnership with Kinetiq UK and Local Government Association in delivering a staff survey. The results showed the highest levels of staff satisfaction and engagement out of 70 Local Authorities surveyed since 2012 and overall responses were in the top quarter for the sector.

The Council proactively engages with residents, businesses, and partners to maintain the Council's reputation, gain understanding and support for the organisation's vision and objectives and keep users informed about priorities, services and campaigns and consultations via digital, in person and social media channels. The Council's website provides a key means of communication between the Council and the public in an open and transparent form. The Council provides considerable transparency information on the website. The Council is a proactive user of social media and other online tools to ensure engagement. Responsiveness to freedom of information requests is monitored by the Data Protection Officer and the Council's Management Team.

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 remains a priority, and since March 2020, our followers reach has increased by 84% and is an integral engagement tool to interact with our residents. A new monitoring and scheduling tool has been purchased, and we have added Next-door as a platform to communicate digitally. Our e-news platform has also grown with the addition of a dedicated Leisure Newsletter and an Environment Newsletter for residents to subscribe. 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.

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. During 2024-25 we undertook our residents survey which provided very positive feedback, full responses can be read here: [Residents' survey - Spelthorne Borough Council](#).

**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. Extensive resident engagement took place in 2024 via our new Citizen Panel and Common Place (online) on the Spelthorne Design Code, which will see residents help shape the future of our towns across the Borough.

**Collaborate:** In 2024, the Spelthorne Partnership Assembly was launched which has seen residents, councillors and representatives from organisations in the Borough meet four times in a year to discuss concerns with the Leader of the Council and Council Officers. We 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 YouTube 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.

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

### **Defining outcomes**

The Council has an approved Corporate Plan for the period 2024-28. Supported by 136 actions which are tracked on a regular basis.

## **D – Determining the interventions necessary to optimise the achievement of the intended outcomes**

### **Interventions**

In response to the recommendations in Grant Thornton external audit report for the period 2023-24, the Council has compiled an Action Plan to address areas of improvement identified in the report. The Action Plan was presented to, and approved by, the Audit Committee. Progress updates will be presented at each Audit Committee meeting, moving forwards this will be superseded by the Improvement and Recovery Plan.

The Council has a variety of strategies, policies and procedures which underpin the delivery of the corporate strategy. Officers are in the process of implementing a more consistent approach to reviewing and updating these documents. This includes setting up a central database of strategies, which sets out who the document owner is, when the document needs to be reviewed, and who has responsibility for sign-off.

The emerging Improvement and Recovery Plan will detail how the Council will deliver the Secretary of State's Directions as part of the Government Best Value intervention process. The high level Improvement and Recovery Plan will be presented to the Corporate Policy and Resources Committee in September 2025 for adoption by the Council.

### **Optimise the achievement of the intended outcomes**

The Council has a robust performance management framework in place which underpins the Corporate Plan and individual service plans. The performance management framework contains key performance indicators to measure the performance of the services. There is also an organisational development framework in place including continuous performance management (CPMS) reviews, one-to-ones, and clear job descriptions. The Policy and Resources Committee is responsible for ensuring that actions approved as part of the Budget and Policy Framework are delivered in each service area. Individual Service committees undertake scrutiny relating to their service areas.

## **E – Developing the Council's capacity, including the capability of its leadership and the individuals within it**

The Council in response to the Best Value Inspection process has built in additional budget for the Finance team and with the Commissioners is reviewing the Finance team structuring. The Council working with the Commissioners is reviewing the resources in its Assets team. There is a robust learning and development programme for officers including mandatory e-learning on a wide variety of subjects and management training. Councillors also have a training and development programme in place, which consists of a comprehensive induction programme, specific committee training such as planning, licensing, financial and governance issues such as the code of conduct.

## **F – Managing risks and performance through robust internal control and strong public financial management**

A Corporate Risk Register is in place which outlines the key strategic risks faced by the Council. This is regularly reviewed by officers and Councillors, with reports provided on, at minimum, a quarterly basis at both Audit Committee and Corporate Policy and Resources Committee. The Corporate Risk Register is reviewed on an ongoing basis and is being refined to align with the recommendations made by the external auditors and the key risks highlighted by the Commissioners and links to the Council's key priorities and strategic objectives.

In order to improve and embed the Council's approach to risk management, the Council will be implementing a governance assurance based Risk Management Framework and Policy, refocusing the Corporate Risk Management Group and, commencing in September 2025, undertaking a training programme for officers and councillors provided by a sector expert in risk management. Financial Procedure Rules together with the Contract Standing Orders, set the framework of internal controls. Internal audit has a programme of work designed to assess how this framework operates in practice and reports to the Audit Committee. Partnership working is governed by agreements, memoranda of understanding or protocols relevant to the type of work or relationship involved. The Council's legal services ensure all are fit for purpose and the Council's interests are protected. The Council has strong IT security requirements which reflect hybrid and virtual ways of working. The Council's Emergency Planning and Resilience arrangements are supported by Applied Resilience, and the Council undertakes regular desktop exercises and monitors the Council's range of business continuity plans.

## **G – Implementing good practices in transparency, reporting and audit, and deliver effective accountability**

All Council meetings are held in public, and minutes and webcasts are available on the Council's website. There is an Audit Committee with terms of reference. In 2025-26 in response to a recommendation from the External Auditor the Council with an independent sector expert will undertake a self-assessment of the Audit Committee against CIPFA guidance for Audit Committees. The external Annual Audit Report is submitted to the Audit committee. Annual financial statements include a narrative summary of the Council's performance during the year as well as reporting the financial position. The Council's governance arrangements for budgeting, the accounts, financial decision making and compliance with codes of practice and legislation are in accordance with the financial management standards set out in the Financial Management code. As is highlighted elsewhere in this statement significant issues have been raised by internal and external audit and the Commissioners and are being addressed.

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

#### **1. Action taken in the year to address governance issues raised in the Annual Governance Statement relating to 2023-24**

| Issue Identified in 2023-24                        | Action Taken   |
|--|--|
| <b>Wider externalities</b>                         | <p>Corporate Risk Register has continued to highlight a range of ongoing external factors impacting on the Council's financial sustainability and identify mitigating actions</p> <p>Following the transfer of internal audit arrangements at the start of 2024-25 to SIAP, the Council has refreshed its approach to Corporate Risk Management. The Deputy Chief Executive (Lee O'Neil) has become the Corporate Risk Management Champion and has reshaped and focused the Corporate Risk Register. The Corporate Risk Register has been refreshed to reflect the key risks highlighted in the Annual Audit Report 2023-24. Moving forwards to place greater emphasis on risk, the Committee report template is being updated to ensure that report authors address risk upfront. The Deputy Chief Executive commissioned SIAP to undertake during 2024-25 an internal audit of risk management. This audit report is at draft stage.</p> |
| <b>Financial Risk</b>                              | <p>Best Value Inspection and Grant Thornton have highlighted a number of financial risks which will be addressed through Action Plans and through the Finance theme of the improvement and Recovery Plan. The Finance theme will have a Programme Board with a lead councillor, lead commissioner and Senior Responsible Officer (Chief Finance Officer) who will monitor progress on a monthly basis and report to the Improvement and Recovery Board which will produce quarterly monitoring reports.</p> <p>In March 2025 a new experienced interim Chief Accountant was appointed and since then working with the Commissioners a number of accountants have been appointed, and additional external expertise has been brought in. As part of the Finance theme a major exercise is being undertaken to refresh the Medium Term Financial Planning analysis.</p>  |
| <b>Housing – Development and Targets</b>           | <p>The Council refined its Local Plan and took it through the Planning Inspection process. The outcome of the assessment is expected in November 2025.</p>   |
| <b>Housing Supply and Demand – addressing Need</b> | <p>The Council used the Local Authority Housing Fund to lever in funding to acquire 81 TA and resettlement properties.</p>   |

|  |   |
|--|---|
|  | The Council responded to the increasing pressure on its homelessness budget and demand for Temporary Accommodation (TA) by leveraging in a significant amount of Local Authority Housing Fund capital grant to enable it to acquire 81 temporary and permanent housing units. These units were transferred to and are managed by Knowle Green Estates the Council's wholly owned housing management company.  |
| <b>Climate Change and Environmental Sustainability</b>                 | Council has continued to roll out its Carbon Literacy programme achieving Bronze level accreditation and is close to achieving silver. Council completed its Passivhaus Eclipse leisure centre in 2024 and it is estimated it will save 60% on energy compared to a conventional centre. Monitoring over the first year will confirm energy savings as compared to a conventional site.   |
| <b>Periodical Review of procedural practices and policy frameworks</b> | The Council has created a central register of policies to enable close monitoring and timely reviews.   |
| <b>Audit Trails and Decision making</b>                                | Officers have addressed the specific recommendations in audit reports produced in 2023-24   |
| <b>Corporate Procurement</b>   | Training for staff and elected members on the Procurement Act 2023 took place in the summer and autumn of 2024. Internal processes have been reviewed and updated addressing some recommendations in the 2023 Internal Audit of Procurement and all staff briefing took place in early 2025. In spring 2025 the Council was looking to entered into an arrangement with NHS Commercial Solutions for targeted procurement support. The Council was also exploring opportunities for joint working with another Surrey Borough Council to deliver continuous improvement through staff training, upskilling and support. |

## 2. Review of significant governance issues arising during 2024-25 and how we are addressing them - a Forward Look

Note that the appointment of Commissioners

In May 2025 by the Secretary of State appointed Commissioners to lead an intervention to oversee the Council's implementation of the recommendations in the Best Value Inspection report, recovery process and ensure effective governance.

As a consequence, the Council is implementing in 2025-26 a comprehensive Improvement and Recovery Plan to ensure that all significant financial, governance and risk issues identified by Best Value Inspection report and all past external reviews are addressed.

As set out above, the Council take very seriously all of the recent external reviews' recommendations on risk and governance issues. In response it will:

- 1) Ensure that officers and relevant Committee Chairs own the external review recommendations by engaging and involving officers as Senior Responsible Officers for the Improvement and Recovery Plan and ensuring that relevant Committee Chairs and lead councillors are regularly briefed on progress against the IRP.
- 2) Working with the Commissioners to put in place an Improvement and Recovery Plan addressing all the Best Value Directions, was approved by Council in October 2025 for approval setting out the actions to address the Best Value Recommendations. An Improvement and Recovery Board to be chaired by the Lead Commissioner will meet monthly to monitor progress and will produce quarterly reports to go to Corporate Policy and Resources Committee and six monthly reports to MHCLG. That the Council works with the Commissioners, following their steer, to address the financial, governance and risk issues identified in the Best Value Report and in so doing also address the External Auditors Annual Audit Report and Audit Findings recommendations. With respect to the latter, additional resource has been brought into the Finance team to ensure that as robust as possible draft statement of Accounts for 2024-25 is published by early September 2025.
- 3) As an early action to address comments in the Best Value Inspection Report on the quality of some of the Council's reports, the Council commenced review of the Committee report template and all internal sign off processes to ensure that the elected members are presented with all the relevant information and available options to aid robust decision making. Report writing training took place in July 2025 with a follow up session planned for late 2025-early 2026.
- 4) As another early action to address recommendation 11 in the Best Value Inspection Report, the Council undertook a recruitment process for the appointment of a second independent member of the Audit Committee. This process was successful, and the Council has confirmed appointment at the meeting on 17 July 2025. This appointment will provide further independent oversight and constructive challenge.

The list below sets out the proposed core components of the Improvement and Recovery Plan and the Theme Workstream underpinning it:

## 1. Commercial Theme

Commercial property rationalisation plan

Commercial governance

People, systems and data management

Commercial strategy

Contract management and procurement process review

## 2. **Regeneration and Housing Theme**

Regeneration and housing confidence

Knowle Green Estates Ltd future resolution

Balanced housing mix

Thriving communities and infrastructure

Homelessness prevention

## 3. **Finance Theme**

Minimum Revenue Position (MRP)

Sinking fund strategy and assumptions

Audit and accounts

Systems and data

Capacity and capability

Minimum Term Financial Plan (including Treasury Management and capital strategies)

## 4. **Governance Theme**

Decision making process review

Risk culture

Internal audit

Reports and guidance

Culture and continuous improvement

## 5. **Local Government Reorganisation Theme**

Data collection / sharing

HR rationalisation

Financial rationalisation

- Systems and contracts
- Elections and governance
- Change management

Each Theme will be guided by its own Programme Board save for the Commercial Theme and Regeneration Theme which will share the same Programme Board; overall oversight will be provided by the Improvement and Recovery Board with regular progress updates presented to the Corporate Policy and Resources Committee and Full Council.

### **Conclusion**

As we deal with the challenges of the next few years moving through the Reorganisation process towards the creation of a new unitary Council, working with Commissioners and delivering the Improvement and Recovery Plan whilst still addressing the Cost of Living, cost of doing business and housing crises together with wider externalities on our economy, health and well-being, the Council is focused on rebuilding assurance in the effectiveness of its financial, governance and risk management arrangements.

Signed  
Cllr Joanne Sexton  
Leader of the Council

Signed  
Terry Collier  
Interim Chief Executive

# Glossary of Terms

This glossary helps to define some of the terms and phrases found in these accounts.

## 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 STANDARDS

The pronouncements of standard setting bodies that local authorities are required to follow (subject to adaptation by the Accounting Code). Primarily the IFRS framework administered by the International Accounting Standards Board.

## ACCOUNTING POLICIES

The specific principles, bases, conventions, rules and practices the Authority applies in preparing and presenting the financial statements.

## ACCOUNTS AND AUDIT REGULATIONS 2015

The statutory rules that establish requirements for internal control and financial systems and specify the arrangements for the annual accounts and audit process.

## 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

Changes in the Authority's pensions liabilities calculated at the end of the previous year as a result of actual events being different from those predicted by the actuary or because the actuary has updated their assumptions.

## ACTUARY

The expert engaged by the Authority to calculate its pensions liabilities.

## ADDED YEARS

Additional entitlement to pensions benefits sometimes added to an officer's years of service upon early retirement.

## ADDITIONAL VOLUNTARY CONTRIBUTIONS

Contributions made by officers to secure pensions benefits additional to those available under the Local Government Pension Scheme.

## ADJUSTMENT ACCOUNT

A statutory reserve in the Balance Sheet that allows the General Fund Balance to be managed so that expenditure can have an impact on the setting of Council Tax in a different year from that in which it would be an expense under proper accounting practices.

## AMORTISATION

The spreading of the cost of an asset over a number of financial years to fairly represent the period over which the Authority benefits from the asset.

## AMORTISED COST

A way of measuring financial instruments that ignores changes in fair value but takes into account the spreading of transactions costs over the instrument term and the impact of any concessionary interest rates.

## AMORTISED COST FINANCIAL ASSETS

Investments for which any gains and losses in fair value are not accounted for until the investment matures or is sold. Defined as financial assets: held within a business model whose objective is to hold investments in order to collect their contractual cash flows, and which have the form of a basic lending arrangement (i.e., contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding).

## ANNUAL GOVERNANCE STATEMENT

A statement published with the Statement of Accounts prepared in accordance with the CIPFA/SOLACE publication Delivering Good Governance in Local Government: Framework. It assesses the effectiveness of the arrangements the Authority has put in place to govern decision-making and accountability.

## ASSET CEILING

The limit on the amount of any net pensions asset that will be recoverable in the form of reductions in future contributions to the pension fund.

## ASSETS

Present economic resources controlled by the Authority as a result of past events. Assets include such things as the Authority's property, cash and investments and sums owed to it.

## ASSETS HELD FOR SALE

An asset (or group of assets and liabilities) whose value will be recovered principally by being sold rather than through its continued use in the provision of services.

## ASSETS UNDER CONSTRUCTION

Property, plant and equipment that is being constructed for use by the Authority, but which is not yet operational.

## AUDIT OF ACCOUNTS

Activity that investigates whether the Authority's financial systems and other accounting arrangements are adequately designed and operating effectively, and that the information they produce is reliable for the purposes of preparing financial statements.

## AUDIT COMMITTEE

A committee of the Authority that oversees the work of internal auditors and considers reports from the external auditors.

## BALANCE SHEET

The financial statement that summarises the assets and liabilities of the Authority at the end of the financial year and shows how net assets are balanced by the reserves held by the Authority.

## BEST VALUE

The statutory duty that the Authority has to make arrangements to secure continuous improvement in the way in which it exercises its functions, combining economy, efficiency and effectiveness.

## BID (BUSINESS IMPROVEMENT DISTRICT)

A local area in which business have voted to pay extra business rates in order to fund additional or enhanced services.

## BILLING AUTHORITY

An authority that is responsible for administering the collection of Council Tax and business rates, including issuing bills and distributing amounts collected to other authorities.

## BOND

A financial instrument under which the issuer takes an investment from the holder in return for an obligation to repay (usually on a specified date) and to pay interest (usually at a fixed rate).

## BOOK VALUE

The amount at which an asset or liability is recorded in the Balance Sheet.

## BORROWING COSTS

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.

## BROUGHT FORWARD AMOUNTS

Balances of resources outstanding at the end of the preceding financial year that were available to be spent in the current year.

## BUDGET

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

## BUSINESS MODEL

Arrangements for holding financial assets, whose objectives can involve making a return by either collecting the cash flows payable under the contracts for each investment (i.e. interest) or hoping to sell investments to gain from increases in their value.

## BUSINESS RATES

The tax raised on non-domestic properties, based each year on a multiplier set by the Government applied to an assessment of the value of the property.

## BUSINESS RATES RETENTION

The system under which the Authority is able to keep a proportion of the business rates raised in any year in excess of a baseline measure.

## CAPITAL ADJUSTMENT ACCOUNT

The unusable reserve that absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets (largely depreciation) and for the financing of the acquisition, construction or enhancement of those assets from revenue, grants, contributions and capital receipts as determined under statutory provisions. (The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.)

## CAPITAL EXPENDITURE

The expenditure incurred by the Authority that is intended to provide longer-term benefits and qualifies to be paid for from capital resources, rather than charged to revenue as it is incurred. The definition covers expenditure that results in the recognition of non-current assets in the Balance Assets and other transactions specified in Government regulations.

## 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 FINANCING REQUIREMENT

The measure of the Authority's capital expenditure that has yet to be financed, as defined in the Prudential Code. It increases as capital expenditure is incurred and reduces when resources are set aside as capital finance.

## CAPITAL GRANTS

Grants given to meet the cost of capital expenditure.

## CAPITAL GRANTS UNAPPLIED

The amount in the Balance Sheet of capital grants that have not yet been used and will have to be repaid if conditions for their use are not met.

## CAPITAL PROGRAMME

The Authority's plans for capital expenditure, usually detailing the individual projects that are to be carried out, their budgeted cost and the expenditure incurred to date on them.

## CAPITAL RECEIPT

Income received from the sale of non-current assets (particularly land and property) and from other transactions specified in Government regulations. Their use is largely restricted to financing capital expenditure.

## CAPITAL RECEIPTS RESERVE

The reserve in the Balance Sheet that holds the capital receipts that have yet to be applied to financing capital expenditure.

## CAPITAL STRATEGY

The annual strategy that the Prudential Code requires the Authority to prepare. It gives an overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services, how associated risk is managed and the implications for future financial sustainability.

## CAPITALISATION

The accounting process by which expenditure is recorded as an asset on the Balance Sheet, rather than being charged as an expense when it is incurred.

## CARRIED FORWARD AMOUNTS

Balances of resources outstanding at the end of the current financial year that will be available to be spent in the next year.

## CARRYING AMOUNT

The amount at which an asset or liability is recorded in the Balance Sheet.

## CASH FLOW STATEMENT

The financial statement that summarises the Authority's cash inflows and outflows for the year, split into amounts for operating, investing and financing activities.

## CIPFA

The Chartered Institute of Public Finance and Accountancy - the accountancy body primarily concerned with public services that issues guidance on accounts preparation for local authorities.

## CIPFA LASAAC CODE BOARD

The partnership between CIPFA and the Local Authority (Scotland) Accounts Advisory Committee responsible for preparing and maintaining the Accounting Code of Practice.

## CIPFA/SOLACE FRAMEWORK

A framework of recommended practice for governance contained in the Delivering Good Governance in Local Government publication

## CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING (THE ACCOUNTING CODE)

The document that specifies the contents of the Authority's statement of accounts, the accounting policies it must follow, the presentation of the financial statements and the notes to be provided.

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

The separate accounting arrangements for the collection of Council Tax and business rates and the sharing of the proceeds between the Authority, Government and other public bodies.

## COLLECTION FUND ADJUSTMENT ACCOUNT

The unusable reserve that manages the differences arising from the recognition of Council Tax and business rates income as it falls due from taxpayers compared with the statutory arrangements for paying across annual entitlements from the Collection Fund to the General Fund.

## 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 (CIES)

The financial statement that summarises the expenditure that the Authority has incurred in providing services and the income it has generated during the year and other gains and losses arising from changes in the value of assets and liabilities.

## CONSISTENCY

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

## CONDITIONS

Terms attached to a grant or a donated asset that specify how the funding/donation is to be used and that will result in repayment/return to the donor if not satisfied.

## CONSOLIDATED FINANCIAL STATEMENTS

Financial statements that bring together the transactions and balances of two or more entities on a line-by-line basis.

## CONSTRUCTIVE OBLIGATION

An obligation that does not have a legal basis but arises from the Authority's actions demonstrating that it will accept certain responsibilities and by which a valid expectation has been created that it will discharge those responsibilities.

## 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 possible obligation for the Authority that arises as a result of something that has happened before the year-end, but whose existence will not be confirmed until an uncertain future event (not wholly within the Authority's control) either takes place or does not.

## CONTROL (GROUP ACCOUNTS)

Circumstances where the Authority is exposed to variable returns from its involvement in another entity and has the ability to affect those returns through its power over the investee.

## CORPORATE BOND

A bond issued by a bank or other commercial organisation.

## COST

The amount the Authority paid to acquire an asset or incurred in its construction and preparation for use, in contrast to its current value.

## COST OF SERVICES

The line in the Comprehensive Income and Expenditure Statement that summarises the Authority's net expenditure on providing services, before considering non-service specific items.

## COSTS TO SELL

The costs that would be incurred directly as the result of disposing of an asset.

## COUNCIL TAX

The tax raised on households, based each year on the position of the property in eight valuation bands A to H.

## CREDIT LOSSES

A measure of how much the Authority would lose if the amounts owed to it by debtors and borrowers are not repaid. Defined as the shortfall between all the cash flows that are due contractually to the Authority under a financial asset and those that it actually expects to receive (discounted using the investment's effective interest rate).

## CREDIT RATING

An assessment of the risk that an entity that has borrowed money from the Authority or with which the Authority has made an investment might default on repayments.

## CREDIT RISK

The risk that someone that the Authority has lent money to or has made an investment with will not pay back some or all of the loan or investment.

## CREDITORS

Amount owed by the Authority 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 ASSET

An asset that the Authority expects to realise or consume in the provision of services within the next twelve months.

## CURRENT LIABILITY

A liability that the Authority expects to settle within the next twelve months.

## 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.

## CURRENT VALUE

The measurement bases for property, plant and equipment, reflecting the economic environment for the service the item is supporting. Possible methods comprise: existing use value, existing-use value - social housing, depreciated replacement cost and fair value.

## DEBTORS

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

## DEFERRED CAPITAL RECEIPTS RESERVE

The unusable reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place.

## DEFICIT

An excess of expenditure over income.

## 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.

## DERECOGNITION

The process by which assets and liabilities are removed from the Balance Sheet, as a result of being disposed of, consumed or settled.

## DIRECT REVENUE FINANCING

Financing capital expenditure from revenue rather than from capital resources.

## DISCLOSURE

The inclusion of information in the Statement of Accounts.

## 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.

## EQUITY INSTRUMENT

A financial instrument that gives the holder a residual interest in the net assets of an entity (e.g., if it is wound up). The commonest example is shares in a company.

## EQUITY METHOD

The method for bringing the transactions and balances of associates and joint ventures into the group accounts - i.e., recognising the Authority's share of the profit/loss of the entity and of its net assets.

## 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 Authority 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.

## EXPENDITURE AND FUNDING ANALYSIS

A note to the financial statements that compares the Authority's net expenditure for the year in accounting terms (as shown in the Comprehensive Income and Expenditure Statement) to the net spend against the General Fund Balance (against which the Authority monitors its progress against budget, as shown in the Movement in Reserves Statement).

## FAIR VALUE

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

## FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME FINANCIAL ASSETS

Investments for which gains and losses in fair value are recognised on the Balance Sheet but do not impact on the Authority's income as they arise but only when the investment matures or is sold. Defined as financial assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling investments, and which have the form of a basic lending arrangement.

## FAIR VALUE THROUGH PROFIT OR LOSS FINANCIAL ASSETS

Defined as financial assets that do not qualify for measurement at amortised cost or fair value through other comprehensive income. Movements in their fair value are recognised as income and expenditure when they arise.

## 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.

## FINANCIAL INSTRUMENTS REVALUATION RESERVE

An unusable reserve that contains the gains made by the Authority arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The Authority might benefit in the future from the gains when the investments mature or are sold, or they might be lost in falls in value.

## FINANCIAL LIABILITIES

Liabilities that take the form of a contractual obligation to deliver cash (or another financial asset) to another entity, such as taking out a loan. The definition also includes more complicated arrangements involving the exchange of financial instruments that might result in a loss for the Authority.

## FINANCIAL STATEMENTS

A general term for the published accounts as a whole but also used specifically to refer to the primary elements - Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet and Cash Flow Statement.

## GENERAL FUND

The fund into which the Authority pays all its revenue income and from which it incurs all its revenue expenditure, unless specifically mandated by law not to.

## 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.

## GROSS EXPENDITURE

The expenditure of the Authority before taking any income into account.

## GROSS INCOME

The income of the Authority before any deductions for expenditure.

## GROUP

The Authority and its subsidiaries, associates and joint ventures.

## GROUP ACCOUNTS

Financial statements that bring together the transactions and balances of a local authority and its subsidiaries, associates and joint ventures as if they were a single economic entity.

## HERITAGE ASSETS

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

## HISTORICAL COST

An accounting convention based on what items actually cost to acquire or construct and the cost of their subsequent enhancement, rather than the value they currently have.

## HOUSING BENEFITS

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

## 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 and websites.

## 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.

## INVENTORIES

Items of raw materials and building supplies 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.

## LEVY

A statutory demand from another organisation for the Authority to provide it with funding.

## LIABILITIES

Liabilities are present obligations of the Authority to transfer an economic resource as a result of past events.

## LIQUIDITY RISK

The risk that the Authority might at any time not have sufficient cash to make payments that are due.

## LONG TERM ASSET

An asset that the Authority does not expect to realise or consume in the provision of services within the next twelve months.

## LONG TERM LIABILITY

A liability that the Authority does not expect to settle within the next twelve months.

## MARKET RISK

The risk that the Authority might make losses on financial instruments from adverse movements in market prices, such as changes in variable interest rates or quoted prices for investments.

## MARKET VALUE

The price at which an asset could sold in a competitive market.

## 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.

## MEASUREMENT

The accounting process for determining the amount that an asset or liability should be recorded at in the Balance Sheet.

## MHCLG

Ministry for Housing, Communities and Local Government.

## 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.

## MOVEMENT IN RESERVES STATEMENT (MIRS)

The financial statement that shows the balances of capital and revenue resources available to the Authority at the year-end, detailing how these balances have been arrived at by adjustments to the financial performance established by proper accounting practices in the Comprehensive Income and Expenditure Statement.

### NET ASSETS

The amount by which assets in the Balance Sheet exceed liabilities.

### NET CURRENT ASSETS

The amount by which current assets in the Balance Sheet exceed current liabilities.

### NET CURRENT LIABILITIES

The amount by which current liabilities in the Balance Sheet exceed current assets.

### 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 amount by which borrowings and lease liabilities are greater than investments.

### NET EXPENDITURE

The expenditure of the Authority after taking income into account.

### NON-CURRENT ASSET

An asset that the Authority does not expect to realise or consume in the provision of services within the next twelve months.

### NON-CURRENT LIABILITY

A liability that the Authority does not expect to settle within the next twelve months.

### 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 that does not transfer substantially all the risks and rewards incidental to ownership of the leased asset.

## 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.

## OTHER COMPREHENSIVE INCOME AND EXPENDITURE

Items in the Comprehensive Income and Expenditure Statement that do not arise as a result of the provision of services but from revaluations of assets and remeasurements of net pensions liabilities.

## OUTTURN

An actual financial outcome, usually used in relation to expenditure incurred against a budget.

## PENSION FUND

A fund kept by an administering authority that collects together the pensions contributions paid by organisations and individuals that participate in a pension scheme, manages the investment of these contributions and pays out pensions to retired employees.

## PENSIONS RESERVE

An unusable reserve that absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. For instance, a debit balance on the Reserve shows that the Authority has made commitments to fund pensions that the Government has permitted it to fund from contributions to be made in future years.

## 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.

## POOLED INVESTMENT FUNDS

Collective investment schemes in which a number of investors pool their money, which is then invested in a portfolio of assets.

## POOLED INVESTMENT FUNDS ADJUSTMENT ACCOUNT

The unusable reserve that accumulates the gains and losses arising from changes in the fair value of investments in qualifying pooled investment funds, as required by statutory provisions. The balance is released to revenue when the investment is disposed of.

## PRECEPT

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

## PRECEPTING AUTHORITIES

Other local authorities that have a right to raise a precept on the Authority.

## PREPAYEMENTS

Payments made by the Authority in advance of goods or services being supplied.

## 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.

## PROPERTY, PLANT AND EQUIPMENT

A class of assets with physical substance that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes (and expected to be used for more than one year).

## 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.

## PRUDENTIAL CODE

The Code of Practice for capital financing issued by CIPFA. The Authority is required by law to have regard to the Code when taking decisions about incurring capital expenditure and taking out borrowing.

## 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 value assigned to a property by the Valuation Office for the purposes of calculating business rates payable for the year.

## RECEIPTS IN ADVANCE

Payments taken by the Authority in advance of goods or services being supplied to recipients.

## RELATED PARTY TRANSACTIONS

Persons or entities with which the Authority has a relationship, such as a company in which the Authority has an interest or an organisation that is controlled by a member or chief officer.

## 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 amount that an item of property, plant or equipment could be sold for (less costs of disposal), if it were in the condition expected 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.

## REVALUATION GAIN

The excess of the revalued amount of an asset over its previous carrying amount.

## REVALUATION LOSS

A shortfall in the revalued amount of an asset compared with its previous carrying amount.

## REVALUATION RESERVE

The unusable reserve that accumulates the gains made by the Authority from increases in the value of its Property, Plant and Equipment assets. The Authority might benefit from these gains in the future from the continued use of the assets or from their sale. (The Reserve contains only 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.)

## REVENUE EXPENDITURE

Expenditure on the day-to-day costs of providing services. Defined technically as the expenditure of the Authority that does not meet the definition of capital expenditure

## REVENUE EXPENDITURE CAPITALISED UNDER STATUTE (REFCUS)

Expenditure that would normally be charged to revenue resources, but which Government regulations allows to be treated as capital expenditure and funded from capital receipts.

## REVENUE SUPPORT GRANT (RSG)

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

## RICS

Royal Institution of Chartered Surveyors - responsible for the professional standards applied in valuing local government property.

## STATEMENT OF ACCOUNTS

The formal name for the financial statements that the Authority is required to prepare each year.

## STATUTORY ADJUSTMENTS

The adjustments made under law and regulations to the outcomes of the Accounting Code's requirements before establishment of the General Fund Balance, allowing the budgetary impact of specified items of expenditure on particular financial years to be managed. Adjustments relate primarily to the revenue impact of capital expenditure and pensions costs.

## STRAIGHT-LINE BASIS

A basis for spreading an item of expense or income over a number of years by charging equal amounts for each year.

## SUBSIDIARY

An entity that is controlled by the Authority.

## SUPPORT SERVICES

The activities of the Authority that support the providers of services directly to the public (e.g., HR, finance).

## SURPLUS

An excess of income over expenditure.

## SURPLUS ASSETS

Property, plant or equipment that is not being used to provide services but that does not meet the criteria for an investment property, or an asset held for sale.

## SURPLUS/DEFICIT ON THE PROVISION OF SERVICES

The line in the Comprehensive Income and Expenditure Statement that summarises the Authority's net expenditure on providing services, after considering non-service specific items.

## TERMINATION BENEFITS

Employee benefits given in relation to the termination of an officer's employment, usually as a result of redundancy or early retirement.

## TRUE AND FAIR

The standard against which local authority accounts are prepared, requiring compliance with statutory requirements and the Accounting Code, the absence of material misstatements and bias in the presentation of information, and faithful representation of transactions and events.

## TRUST FUNDS

A separate legal entity that holds assets for the benefit of specified organisations or individuals, overseen by a trustee or trustees.

## UNUSABLE RESERVES

The reserves in the Balance Sheet that are not balances of usable resources, comprising revaluation reserves and adjustment accounts.

## USABLE RESERVES

The reserves in the Balance Sheet that are balances of usable resources, both revenue and capital.

## USEFUL ECONOMIC LIFE (UEL)

The period for which an asset is expected to be available for use by the Authority.

## VALUATION

An estimate by an appropriately qualified person of the amount the Authority could sell an asset for or of the benefit of continuing to use it for the provision of services. The basis of valuation will depend on the nature of the asset being valued.