

**WOKING BOROUGH COUNCIL**

**DRAFT  
ANNUAL FINANCIAL REPORT  
AND  
STATEMENT OF ACCOUNTS**

**FOR THE YEAR ENDED  
31 MARCH 2021**

## CONTENTS

Page No.

Explanatory Foreword

Revenue Outturn Statements

Statement of Responsibilities

Statement of Accounts:

    Movement in Reserves Statement

    Comprehensive Income and Expenditure Statement

    Balance Sheet

    Cash Flow Statement

    Summary of Significant Accounting Policies

    Notes to the Movement in Reserves Statement

    Notes to the Comprehensive Income and Expenditure Statement

    Notes to the Balance Sheet

    Notes to the Cash Flow Statement

    Housing Revenue Account (HRA) Income and Expenditure

    Statement of Movement in HRA Balance

    Notes to the Housing Revenue Account

    Collection Fund

    Notes to the Collection Fund

    Pensions explanatory notes

    Group Accounts [To Be Inserted]

- Accounting Policies
- Company and Joint Venture Information
- Movement in Reserves Statement
- Comprehensive Income and Expenditure Account
- Balance Sheet
- Cash Flow Statement
- Notes

Glossary

Annual Governance Statement

Auditor's Report [To Be Inserted]

**EXPLANATORY FOREWORD  
BY FINANCE DIRECTOR  
LEIGH CLARKE ACA**

**1.0 Introduction**

- 1.1 These accounts set out the Council's income, expenditure and cash flows for the year ended 31 March 2021 together with the assets and liabilities at that date.
- 1.2 The year has been dominated by the impact of the Covid-19 pandemic. The UK went into lockdown for the first time just a week before the beginning of the year, and whilst there was a gradual re-opening over the summer, a 2<sup>nd</sup> wave started in the autumn, with varying local restrictions followed by a full National Lockdown from January to March 2021.
- 1.3 This had a significant financial impact on the Council with additional costs being incurred to support the local community and substantial losses of income particularly from commercial rents and parking charges. The government provided support in the form of general grants as well as compensation schemes for lost income, however neither fully covered the total cost to the Council. The most significant areas of expenditure were the provision of housing, in particular for rough sleepers, in local hotels and the Council's conference centre and support for the Council's leisure provider.
- 1.4 The Council also managed the allocation of grant funding to local businesses and individuals eligible for 'Test and Trace' grants. There were 12 different schemes to administer distributing a total of £21.5m during the year.
- 1.5 The impact of the pandemic resulted in a £7.5m pressure on the 2020/21 budget, mostly due to lost income. This pressure has been mitigated by one-off income from High Speed 2 (HS2) in relation to future maintenance commitments at Brookwood Cemetery, the final outturn on the Surrey Business Rates Pool, a payment for surrender of a lease at Church Street West, arrangement fees on loans to Victoria Square Woking Ltd, and financing costs where temporary loans at low interest rates were taken during the year ahead of future refinancing as long term borrowing. The overall effect is an increase in reserves of £2.3m after adjusting for Business Rates timing differences.
- 1.6 Looking forward the medium term financial position of the Council remains uncertain. It is not clear how long it will take for the economy to return to pre pandemic levels nor the extent to which individual preferences and business models have permanently changed. Whilst one-off income has maintained the level of reserves at the end of 2020/21, ongoing reductions in income and increasing costs will result in future budget deficits, and annual use of reserves, unless addressed.
- 1.7 The Council applied for Exceptional Support from the government to spread Covid related losses over a longer period allowing time for income to be restored and protecting the Council's reserves to support the recovery. The government confirmed in July 2021 that the Council did not meet the requirements for this flexibility as it is not facing an immediate, unmanageable cost pressure. The Executive has agreed an approach to identifying options to manage the financial position into the medium term, reviewing service efficiency opportunities and embarking on a 'Fit for the Future' programme. This will inform budget setting for 2022/23 and the future Medium Term Financial Strategy.
- 1.8 The Council has major infrastructure and regeneration projects which continue to progress whilst many other Investment Programme ambitions have been suspended

as the programme is evaluated. The ambitious town centre regeneration at Victoria Square is due to complete during 2021/22, the leisure facilities and first phase of the regeneration scheme at Sheerwater were substantially completed during 2020/21 and work has commenced on the Victoria Arch Housing Infrastructure project.

- 1.9 The narrative below provides further detail and explanations of the in-year expenditure, funding, investments, reserves and the future pressures facing the Council.

## 2.0 Investment Programme and Projects

- 2.1 During the year £174m was advanced to Victoria Square Woking Ltd to continue the construction of the town centre development. In February 2021 the loan facility provided to the company was increased by the Council. This reflected the cost pressures and project delays partly due to Covid. The works are due to be complete in the autumn of 2021 with the opening of the retail offer and the residential units becoming available to let.
- 2.2 Through the Council's wholly owned Thamesway Group of companies, the Council progressed with the Sheerwater Regeneration project. Homes England grant of £4.8m, together with £28m loan finance was advanced towards the new Eastwood Leisure Centre, initial residential phase and property acquisitions. At 31 March 2021, 106 of the 120 required had been purchased and a further 9 had terms of acquisition agreed.
- 2.3 The Council continued investment in housing in the Borough through improvement of its own housing stock, development of new Council housing and through investment through the Council's wholly owned housing company, Thamesway Housing Ltd.
- 2.4 Work also continued on other Investment Programme projects including £22m invested through Thamesway Energy Ltd in a new energy centre in Poole Road.
- 2.5 In total the Council spent £349 million on investment programme capital and revenue projects:

	£m
Victoria Square Regeneration	174
Investment in Thamesway for housing provision	29
Sheerwater Regeneration	33
New Council Housing and Improvement in stock	20
Strategic Property Acquisition and Improvements	24
HIF & Integrated Transport works	19
Poole Rd Energy Centre	22
Other Capital and Revenue projects	27
	349

- 2.6 The Council used borrowing to fund £325m of the investment in group companies and other Investment Programme projects. Capital grants and other contributions funded £18m and reserves £4m. Receipts from the sale of assets contributed £3m. Approximately £2m of these Investment Programme projects were revenue in nature (did not create an asset) and are therefore shown in the Council's income and expenditure account in the year.
- 2.7 The Council retains a proportion of capital receipts from sale of Council houses under Right to Buy. The Council can opt to retain part of the receipts to use towards

replacement housing. In 2020/21 the Council sold 10 properties, generating gross receipts of £2.3 million, and chose to retain the £0.98m replacement housing element of the sales receipt to part fund HRA housing projects.

### **3.0 Revenue budget and outturn 2020/21**

- 3.1 The 2020/21 budget was approved by the Council in February 2020. Budgeted net operating expenditure for 2020/21, before transfers to and from reserves, Council Tax and government financing, was £16.3 million. Woking received Government support of £2.1 million, the Council no longer receives any Revenue Support Grant.
- 3.2 £676,000 was received in New Homes Bonus (NHB) grant which is awarded for increases in the provision of new residential properties. In line with the Council objective to reduce reliance on NHB to support the service budget, £400k was used in-year (£600k in 2019/20) with the rest allocated to the New Homes Bonus reserve. The reserve has been used to fund infrastructure relating to developments, including community assets, and investment in Brookwood Cemetery. There is £1.245m in the reserve at the 31 March 2021.
- 3.3 The service outturn statements for 2020/21 (page ) show net service income and expenditure and provide explanations for significant variances from budget. These variances are reported during the year in the Council's monthly 'Green Book' publication. The year end Green Book reported an overspend of £7.5m compared to budget.
- 3.4 The impact of the pandemic was immense with pressure on housing services, as the Council provided accommodation in the HG Wells Centre and local hotels, for those in need, and supported the Council's leisure provider as all facilities were closed or operating a reduced capacity during the year.
- 3.5 Even more significant was the impact on the Council's income. As the UK was under some degree of restrictions for the majority of the year, consumer facing businesses were affected but also those in the supply chain. Whilst most of the Council's commercial tenants were able to continue rental payments as due, many of those most directly affected struggled. The Council offered flexible payment terms, deferring collection where necessary, but there remains a risk of recovery of all amounts due. The Council suffered reductions in income from service fees and charges, most critically car parking and the leisure management fee. These were covered by the government 'Sales, Fees and Charges compensation scheme' which provided support for approximately 70% of the losses. Council Tax and Business Rates income losses were covered by similar schemes.
- 3.6 There were some budget savings as Council activity in some areas was necessarily less than a normal year. The elections due in May 2020 were cancelled, as were the majority of civic events during the year. Planning fees were £240k over budget as, following a slow start to the year, several applications involving large scale developments attracting high fees were received.
- 3.7 Further detail can be found in the March 2021 financial and performance monitoring (Green Book).
- 3.8 The Expenditure and Funding Analysis, which can be found on pages and , reconciles the outturn statements to the statutory Comprehensive Income and Expenditure statement on page .
- 3.9 The Comprehensive Income and Expenditure Statement (CIES), prepared in accordance with IFRS, shows a deficit for the year of £47.3 million mostly due to reductions in value of Council property assets which must be charged to the CIES in

accordance with accounting standards. There are a number of entries in the CIES which are included to conform with International Financial Reporting Standards (IFRS) but statute requires should not be charged to the General Fund balance. These amounts are reversed out within the reserves and are shown in the notes to the Movement in Reserves Statement (page ). A charge is made to the General Fund balance to provide for the repayment of debt which is a requirement of the Code of Practice on Local Authority Accounting, but not of IFRS. This is called the Minimum Revenue Provision (MRP).

	£ million
Deficit on CIES	-47.3
<u>Reverse:</u>	
Depreciation, revaluation and Impairment Charges	46.8
Capital expenditure creating an asset not owned by the Council	26.0
Grants and contributions amortised	-19.5
Adjustment for Business Rates and Council Tax timing	7.8
Pension, Collection fund and other adjustments	2.4
	<u>63.5</u>
Minimum Revenue Provision for debt repayment	-6.8
Adjusted surplus on CIES	<u>9.4</u>

- 3.10 The overall effect is a net contribution to reserves of £9.4 million to support revenue activity. The majority of this is government grants, £7.1m, which are required to be held to meet Collection Fund deficits relating to 2020/21 but distributed in 2021/22. A further £2.8m relates to funding from High Speed 2 (HS2) for ongoing maintenance at Brookwood Cemetery. This is transferred into a new earmarked reserve.
- 3.11 The Council's revenue outturn performance was improved by the one-off adjustments compared to the Green Book position as set out below.

	£ million
CIES outturn (surplus)	9.4
Business Rates deficit funding	-7.1
HS2 funding received	-2.8
Deficit after reserve transfers	<u>-0.5</u>
<u>One-off adjustments 2020/21</u>	
Business Rates pool - income over baseline	-2.3
Interest and MRP	-1.9
Lease surrender	-2.1
Victoria Square loan arrangement fees	-1.7
Adjusted in-year deficit (excluding significant adjustments)	<u>-8.5</u>
Year end adjustments Housing Benefits/Bad Debt Provision	0.5
Investment Programme Revenue projects and other variations	0.5
In year variations (Green Book)	<u>-7.5</u>

## **4.0 Assets and Liabilities**

4.1 At 31 March 2021 the Council's balance sheet shows net assets worth £143 million.

### Fixed Assets

4.2 Property assets have been revalued where material. Some lower value assets are revalued on a rolling basis. Valuations at 31 March 2021 have been affected by the economic climate, following a year of restrictions to social activity and with the UK only starting to emerge from the impact of the pandemic.

4.3 Overall there is a reduction in value of £43.5m in the Council's Investment Properties, offset by increases in Other Land and Buildings, £0.9m, and the Council's housing stock, £11.8m. The most significant reductions in value related to Wolsey Place and the Council's interest in the Peacocks Centre, in total £20m. The Triangle site accounted for £8.4m. As demolition works commenced the residual value is now classified as an 'Asset under Construction'. Other reductions include Woking One (£7.5m) and Dukes Court (£4m). Together these asset valuations explain £40m of the reduction. Downward variations on other properties are partly offset by a £2.9m increase in the value of office property at Church Street West which reflects the lease to the DWP agreed during the year.

4.4 Investment Properties are held for strategic purposes as well as generating an income. Whilst the valuation of these assets is important, most are held for long term place making reasons with no imminent plans to sell. Valuations vary reflecting the economic environment and the committed rental income for the property at the balance sheet date.

### Cash

4.5 At 31 March 2021, cash and temporary deposits of £14.5 million were held.

### Long Term Debtors

4.6 The Council has made £453m of loans to its Thamesway group companies, including £85m for Sheerwater. These loans are shown as long term debtors on the balance sheet, except where the loans are for less than a year.

4.7 £527 million has been advanced to Victoria Square Woking Ltd to finance the town centre regeneration.

4.8 A further £26m of loans have been advanced to other external organisations including £6m to the Peacocks, £9.7 million to Woking Hospice and £6.4m to Greenfield School. £1.7m of mortgages are held, mostly associated with the Sheerwater regeneration area. Amounts due within one year are shown as short term debtors.

### Shares

4.9 The Council owns £31 million in shares held in its wholly owned Thamesway group of companies which are shown as an investment.

4.10 The Council also holds £6m (100%) shareholding in Woking Necropolis and Mausoleum Ltd (WNML), which owns and runs Brookwood Cemetery, and during the year acquired 100% of the shares of Kingfield Community Sports Centre Ltd (KCSC) which owns the Woking Football Club site.

- 4.11 In addition, the Council has shares in Victoria Square Woking Ltd (VSWL), the development company for the Victoria Square regeneration, the Boom! West Sussex and Surrey Credit Union, and the UK Municipal Bonds Agency.

#### Borrowing

- 4.12 At 31 March 2021 there was long term borrowing of £1,483 million and short term borrowing of £207 million. The high level of short term borrowing is due to borrowing taken at low rates ahead of the expected government reduction in PWLB borrowing rates in the November 2020. Whilst some short term borrowing will be retained, reflecting the short term nature of some of the capital projects and loans advanced, the majority will be refinanced as long term loans during 2021/22. Details of all Council borrowing is reported each month in the Council's 'Green Book'. For the statutory accounts the amount of long term borrowing due within a year is re-classified as short term.
- 4.13 The Prudential Code enables a Local Authority to borrow to such an extent as the Authority considers appropriate within a range of indicators that it sets. It is therefore possible to invest to the level that is affordable, prudent and sustainable taking into account the level of income including Council Tax and housing rents. The Council's treasury management activity was undertaken in accordance with its Treasury Management Policy and Practices and within the strategy and overall borrowing limits.
- 4.14 The Council approved Capital, Investment and Treasury Management Strategies in February 2020 alongside the budgets for the year. Updated versions were approved in February 2021 for 2021/22. This suite of documents explains the Council's approach to capital investment and acquisition of strategic property.

#### Pension fund liability

- 4.15 The Council's share of the Surrey Pension Fund deficit continued to reduce the Council's net asset position. Woking's Balance Sheet shows a Pensions liability of £82 million. This has increased from £68 million at 31 March 2020. The deficit reduces the net worth of the Council by 57%. A full valuation of the Fund was completed at 31 March 2019 which sets the level of contributions from 2020/21 until 2022/23.

### **5.0 Reserves**

- 5.1 The Council's balances and earmarked revenue reserves at 31 March 2021 were £45.8 million, an increase of £9.7 million compared to the balance at 31 March 2020. The majority of this increase, £7.12m, is government grant funding the reduction in Business Rates income collected in 2020/21 as a result of the Covid reliefs offered. The deficit will not be distributed from the Collection Fund to the General Fund until 2021/22 so the funding is held in reserve in order to offset these costs.
- 5.2 The Investment Strategy Reserve balance at the 31 March 2021 is £3 million. A transfer of funds from the MTFs reserve has been used to keep this reserve at the target level.
- 5.3 A new Earmarked Reserve has been set up to hold the HS2 contribution towards maintenance at Brookwood Cemetery. The Business Rates equalisation reserve contains sufficient funds to cover previous deficits which will be accounted for in future years. It also holds 3 years of potential Business Rates losses against base budgets before safety net arrangements apply. Any residual balance has been transferred to the MTFs reserve. The MTFs reserve has been used to ensure the Investment Strategy Reserve is held at the target £3m level. This results in the MTFs reserve

holding £3.8m which can be used to cover future pressures as the economy recovers from the pandemic. The Victoria Square reserve has been credited with the arrangement fees for loans advanced during the year and holds a balance of £3.3m at the year end.

## **6.0 Group Companies and other Joint Ventures**

- 6.1 The Code of Practice on Local Authority Accounting requires local authorities to consider all their interests and prepare a full set of group financial statements where they have material interests in subsidiaries, associates or joint ventures.
- 6.2 The Council has a wholly owned subsidiary, Thamesway Limited which itself owns 100% of companies set up to further the Council's environmental, housing and redevelopment objectives. The Council has also entered into a number of other joint ventures with specific project or service objectives. Much of the capital investment during the year was through Group Companies and partnerships.
- 6.3 A full listing of all the Council's interests can be found on pages - of the accounts.
- 6.4 In total £82 million was advanced in loans to the Thamesway group during 2020/21, including £29m for the Sheerwater regeneration project and £28m for Thamesway to invest in new residential properties. The loans are shown as long term debtors in the Council's balance sheet and are listed in note 7, page . These balances are eliminated on consolidation in the Group accounts.
- 6.5 The Council owns 48% of Victoria Square Woking Ltd (VSWL), the development company for the regeneration scheme. £174m of funding was advanced by the Council in the year. VSWL is not consolidated in the Group Accounts, but instead is included as an investment based on its net asset value.
- 6.6 £1.3m of capital and revenue grants were provided to the Brookwood Cemetery companies, by the Council, to continue restoration works. Further investment has been paused as resources and priorities are reviewed post pandemic. The Cemetery companies are consolidated in the Council's group accounts.
- 6.7 The accounts of the companies, consolidated into the Council's accounts, are presented as Group accounts on pages - .

## **7.0 Housing Revenue Account**

- 7.1 The March 2021 Green Book reported a provisional overspend of £490,000 against Housing Revenue Account (HRA) budgets in the year. The budget assumed a use of reserves towards net costs of £103k. The HRA (page ) shows a transfer from the HIP reserve of £633k including revenue projects.
- 7.2 The Council's housing stock is managed by a joint venture partnership called New Vision Homes. The Council spent £3.7 million on renovating and improving its Council stock, funded from the Major Repairs Reserve, to help achieve and maintain the decent home standard. The Council and New Vision Homes work together to set the future maintenance and spending priorities over the short, medium and longer term. During the year £16.7 million was spent on acquiring and developing new properties using the Council's retained receipts from right to buy sales to fund 30% of the costs. A further £8.3m was invested in General Fund housing schemes partly funded by right to buy receipts or grant.
- 7.3 For 4 years to 2019/20 the government required a 1% reduction in rents. This put increased financial pressure on the Housing Revenue Account. In 2020/21 rents increased using a formula approach as they had previously.

- 7.4 The regeneration of Sheerwater is impacting the HRA with a reduction of 406 properties as the area is developed. The Council has also commenced development of new build HRA properties which are initially at a net cost, even with 30% funding through retained Right to Buy receipts. The Council will also take the management of the housing stock back in-house from April 2022. Whilst this is an opportunity for the Council to make service and financial improvements, the financial impact will not be clear until later in the year. The HRA business plan will need to be monitored as these developments progress.
- 7.5 The HRA working balance at 31 March 2021 is £335,000, this is £100 per property which is considered adequate for the purposes of prudent financial management.

## **8.0 Collection Fund**

- 8.1 In 2020/21 the Council Tax set by Woking BC was £245.46 for a property in Band D, an increase of £5 on 2019/20. The Council collected £83.7 million in Council Tax. The Collection Fund shows that 75% is collected for Surrey County Council, 13% for Surrey Police and Crime Commissioner and 12% for Woking's own purposes. The total Band D Council Tax, including the amounts for Surrey County Council and Surrey Police Authority, was £2,027.49, an increase of £72.96 (3.7%), which included the Social Care precept levied by Surrey County Council.
- 8.2 Woking collected £27.8m in Business Rates, which was significantly less than the £47m collected in 2019/20 due to the Business Rates reliefs introduced by the government as a result of the pandemic. The government fully compensated the Council for these new reliefs through direct grant funding. Woking was required to pay a tariff of £16.4m which would leave the Council with the £2m allocated funding if income was at assumed 'baseline' levels. Woking was a member of the Surrey Business Rates pool in 2020/21 which meant that a greater proportion of the surplus, compared to baseline income levels, was retained by the Council rather than being paid in a Levy to the government. Overall this provided a surplus of £2.3m in 2020/21.
- 8.3 Since the government introduced the 'check, challenge, appeal' system for business rates in 2017/18 there have been very few valuation appeals. There continues to be very little information available about potential levels of appeals. At 31 March 2020, as the unprecedented impact the pandemic became clear, it was considered prudent to increase the level of the provision for appeals and irrecoverable debts. This provision could be reduced at 31 March 2021 reflecting the level of business rate reliefs offered by the government during 2020/21.

## **9.0 The Medium Term Financial Strategy to 2024/25**

- 9.1 The Council considered an update to the Medium Term Financial Strategy (MTFS) in April 2021. This recognised the uncertain financial position, the forecast use of reserves to support services in 2020/21 and 2021/22 and the underlying annual budget deficit throughout the period of the plan.
- 9.2 The financial forecasts were based on assumed reductions in government funding following the Comprehensive Spending Review, and a gradual economic recovery. They also incorporate the launch of the new town centre regeneration scheme, Victoria Place, which involves new car park assets being acquired into direct Council ownership. It remains to be seen if income from commercial activities and parking will return to previous levels, and how long it might take.
- 9.3 In light of the uncertain economic recovery the Council applied for government support to spread Covid related losses over a longer period, preserving revenue reserves and allowing time for the new post pandemic environment to be established. The application to the government was not successful as the Council was not facing

immediate, unmanageable cost pressure. The Council has reserves which could be used and has not taken all actions it can to manage the position without support.

- 9.4 An update to the MTFS was received by the Executive in July 2021. The report set out the programme the Council would embark on to identify options to ensure a sustainable medium term financial position. This includes work to review service provision and prioritisation, organisational efficiencies, fees and charges, investment programme and costs, and potential to work with partners. There will also be a focus on achieving the best use of the Council's assets within the Borough. The activity will form the Council's 'Fit for the Future' programme and will report on progress regularly to the Executive during 2021/22 ahead of setting the budget for 2022/23.

## **10.0 Conclusion**

- 10.1 The Council's overall financial performance and activity during 2020/21 was substantially affected by the Covid-19 pandemic. The immediate priority was the local response and ensuring the community, residents and businesses were supported through this period.
- 10.2 Good levels of revenue reserves enabled the Council to maintain services, where national guidelines allowed, support the Council's leisure provider to ensure that services could be resumed when restrictions were relaxed, and provide accommodation to those in need. It was possible to set budgets for 2021/22 accepting the use of reserves whilst the pandemic continued to affect the economy, and to allow time to take a managed approach to achieving a sustainable budget for the future.
- 10.3 As set out in the sections above, one-off income has enabled reserve levels to be sustained at 31 March 2021. Whilst this does not reduce the Medium Term Financial Strategy savings target, to achieve an ongoing balanced budget, it does provide resources which can be used while the savings are identified and achieved.
- 10.4 Substantial progress has been made on major regeneration projects. Victoria Square will be completed during 2021/22 as will the leisure facilities and first residential phase of the Sheerwater regeneration. Work has also commenced on the Victoria Arch Housing Infrastructure Fund (HIF) project.
- 10.5 There was already significant uncertainty in the financial forecasts due to potential changes in local government funding and Brexit. The pandemic has added another factor during this period in which the Council is managing transformational capital projects with ongoing revenue impacts. Whilst the future is difficult to predict, the Council is actively managing the risks and identifying options to ensure that necessary action can be taken.
- 10.6 The Council's accounts for the year 2020/21 present fairly the financial position of the Authority at 31 March 2021 and its income and expenditure for the year ended 31 March 2021.

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Leigh Clarke  
Finance Director

Date:



## **REVENUE OUTTURN STATEMENTS**

**2020/21**

The Council's vision "Towards Tomorrow Today" is supported by a statement of intent about shaping our future, comprising a number of value aims under the three key thematic areas of PEOPLE, PLACE and US (our organisation), as follows:

**PEOPLE - A healthy, inclusive and engaged community**

**PLACE - An enterprising, vibrant and sustainable place**

**US - An innovative, proactive and effective council**

The Council's Revenue Outturn Statements (and management accounts) are summarised by these three thematic areas.

## OUTTURN STATEMENT

2019/20 ACTUAL		----- 2020/21 -----		
£		ESTIMATE	ACTUAL	VARIATION
£		£	£	£
	<u>People</u>			
3,081,678	Community Support	3,537,519	2,962,895	-574,624 (1)
3,722,387	Health and Well Being and Cultural Development	3,329,974	3,679,037	349,063 (2)
2,718,355	Housing	2,834,636	2,411,420	-423,216 (3)
947,458	Independent Living	607,339	594,065	-13,274 (4)
<u>10,469,879</u>		<u>10,309,468</u>	<u>9,647,418</u>	<u>-662,050</u>
	<u>Place</u>			
-3,017,019	Sustaining the Local Economy	-4,351,796	2,298,757	6,650,553 (5)
6,864,805	Environmental Quality	7,667,745	8,411,465	743,720 (6)
-15,408,754	Place Making	-22,771,542	-17,047,906	5,723,636 (7)
<u>-11,560,968</u>		<u>-19,455,593</u>	<u>-6,337,684</u>	<u>13,117,909</u>
	<u>Us</u>			
2,488,937	Democratic Services	4,659,947	2,781,099	-1,878,848 (8)
308,301	Corporate Services	284,304	249,446	-34,858 (9)
1,794,990	Customer Support Services	1,398,975	1,716,186	317,211 (10)
<u>4,592,228</u>		<u>6,343,226</u>	<u>4,746,732</u>	<u>-1,596,494</u>
-5,549,536	Council Housing (Housing Revenue Account)	-5,032,513	-4,753,826	278,687 (11)
2,774,801	Investment Programme Revenue Projects	1,494,000	4,263,632	2,769,632
<u><b>726,404</b></u>	<b>NET COST OF SERVICES</b>	<u><b>-6,341,412</b></u>	<u><b>7,566,272</b></u>	<u><b>13,907,684</b></u>

## OUTTURN STATEMENT - NOTES

### People

#### (1) Community Support

The overall underspend on Community Support includes a £76k saving on running costs at the Centres and £30k within Community Engagement. The Family Support Programme have saved £99k on costs and the balance of £241k is savings in staffing and support costs for the Service Area.

There was an underspend of £195,000 on Support For Accredited Groups due to closure of the HG Wells, and an overspend of £67,000 on Grants.

#### (2) Health and Well Being and Cultural Development

There were savings on Energy costs (£136,000) and Maintenance (£28,000) at the Leisure Centre, Pool In The Park and Sportsbox. Compensation payments of £328,000 were made to the operator for loss of profit while some of the facilities were out of action. Part of this related to the COVID 19 pandemic. Depreciation was over budget (£264,000), and there were adjustments to the Management Fee of £91,000.

#### (3) Housing

Expenditure on employees and capital charges was £38,000 less than budgeted.

Expenditure against the standard Bed and Breakfast budget is £91,000 less than budgeted in 2020/21. A number of homeless individuals\households are being provided accommodation under COVID related services, which has eased some of the pressure on the Council's standard Bed and Breakfast budget during the pandemic.

WBC's preventing homelessness budgets are not set solely on the level of grant funding received from the Government and historically WBC has spent more on Preventing Homelessness than the funding received. This surplus of £432,000 will be reviewed to balance how much funding should be transferred to the Homelessness Reserve to fund one off initiatives, and how much should be used to fund WBC's costs in tackling homelessness.

Financial Penalty income was included in the Housing Standards and Selective Licensing budgets. The Council works proactively with Landlords to ensure appropriate standards of accommodation are maintained meaning financial penalties are not frequently required.

Housing benefit costs, net of government subsidy, were £45,000 less than budgeted.

On 11 July 2019 the Council approved an upgrade of the temporary accommodation at Claremont Avenue, York Road and Chertsey Road to ensure the dwellings are fit for purpose. Some units were kept vacant while these works were carried out. Temporary accommodation void loss due to upgrade works and due to other variances was £69,000 more than budgeted in 2020/21.

New temporary accommodation was provided at 121 Chertsey Road. The lettings plan for the 25 flats was to stagger lets to allow an appropriate level of support to be provided to the new tenants (people at risk of Rough Sleeping or Rough Sleepers). One flat was reserved for office use and a further flat was not available during the lease period due to a heating issue. This reduced the rental income but resulted in a well-managed block. The number of flats let increased as extra team members were recruited. There was a net overspend of 61k in 2020/21.

#### (4) Independent Living

There has been an increase in the volume of safety work that WBC's Home Improvement Agency and Handyperson Services provide which has resulted in additional material costs that are not recharged. Time spent doing this work also leaves less time to carry out DIY income generating work.

Additional expenditure was also incurred due to pandemic related costs and Clinically Extremely Vulnerable (CEV) Grants have been received and accrued back into 2020-21.

This is combined with a reduction in the take up of new Careline devices.

There was a net overspend across Community Meals due to an increase in take up of the Meals on Wheels (MOW) service, made up of additional staff costs of £66k, provisions £23k and premises/transport costs £11k.

## OUTTURN STATEMENT - NOTES (cont.)

### Place

#### (5) Sustaining the Local Economy

The overspend against budget of £6,651,000 is mostly due to Parking (£6,195,000), employees (£324,000) and capital charges (£213,000), which is partly offset by an underspend on Business Liaison and closure of H G Wells (£81,000).

Free parking arrangements which had been in place since the start of initial lockdown were lifted on 1st July 2020. However since then, and through various levels of restrictions, the activity has been significantly reduced. The impact of changes to behaviours has resulted in less season ticket renewals and lower use of the car parks.

The government introduced an income compensation scheme for lost sales, fees and charges which funds 75% of the losses over an initial 5% reduction in income. The forecast income from this scheme is shown elsewhere in this report.

#### (6) Environmental Quality

The overspend against budget of £744,000 is mostly due to Waste & Recycling (£518,000), capital charges (£96,000), Building Control (£57,000), Tree Planting (£40,000) and Public Liability Claims (£35,000) offset by some minor variations such as War Memorials.

Prior years inflation £333,000, increased Corporate Management costs £58,000 and recharged depot costs £127,000 have resulted in an overspend of £518,000 on Waste and Recycling. Additional tree planting has been required to deliver the Council's extended tree planting programme and there has been an increase in the number of public liability claims resulting in costs of £35,586 being the insurance excess payable by the council.

Due to the effects of coronavirus there was a marked slowdown in the small domestic market last year, the effect of this is that building control income was £65k below budget last financial year (compared with a forecast £80k). A number of larger town centre residential developments, if commenced, are expected to reverse this trend in 2021/22.

#### (7) Place Making

The overspend against budget is mainly due to a shortfall in income on Estates Management (£5,775,000) and employee costs (£218,000). These were partly offset by additional Planning Application Fees (£251,000), and an underspend on Woking Old Palace (£15,000).

The National Lockdowns and various levels of restrictions in force during the year has resulted in a difficult trading environment for businesses within the Borough. A number of tenants in the Council's commercial properties have had difficulties in paying rent and service charges due during this period. Where possible arrangements have been made to recover amounts due over time. Lost income through irrecoverable debt, as well as some units which have become vacant, resulted in a variance to budget of £4,304,000 in 2020/21.

The full year effect of void service costs, mostly Midas House and Red House, resulted in an overall overspend against budget of £350,432 during 2020/21.

The remaining overspend is Business Rates, which is partly offset by a small underspend on the facilities management contract.

Due to the Covid pandemic the Town Centre Leisure lease has been extended to accommodate the housing pods provision for rough sleepers. This has incurred costs of £383,592 in 2020-21.

There was a reduction in planning applications received in the early part of 2020/21 as a result of the Coronavirus pandemic. As the year progressed the number of applications increased, and included several applications involving large scale developments which attracted high planning fees. In addition, a number of Planning Performance Agreements were entered into which resulted in an increase in income. The final position for the year was a positive variation of £244k (compared with a projected £150k). There were no significant amounts received in 2020/21 where work wasn't completed within the year, consequently no income was carried forward at 31st March 2021.

## OUTTURN STATEMENT - NOTES (cont.)

Us

(8) Democratic Services

The underspend against budget is mainly due to additional income from loan arrangement fees of £1,750,000, an overspend on employee costs (£173,000) and underspends on Civic Events (£71,000), the Mayors Car Costs (£34,000) and Corporate Room Hire (£104,000). There were offsetting overspends on Borrowing costs (£182,000) and Members Costs (£5,000).

The overspend on internet transaction charges of £11,000 was partly offset by savings on bank charges (£6,000).

An allowance has been made for audit overrun costs resulting in an overspend of £84,000.

Elections were underspent by £84,000.

(9) Corporate Services

The underspend against budget of £35,000 is mainly due to several variations within the Public Relations budget (£50,000) and an underspend on Statutory Advert costs (£22,000). There were offsetting overspends on the Key Leisure Pass (£18,000) and Woking Magazine publications (£19,000).

(10) Customer Support Services

The net overspend against budget of £317,211 included; an underspend on the net cost of Housing Benefits (£218,944) and an underspend on employee costs of £78,290.

There was an underspend of £22,183 on Supplies and Services, mainly due to taxi licensing Criminal Record Checks and payments to Surrey County Council for land charges. There was an overspend of £561,107 on revenue collection mainly due to a discretionary relief of £522,375 that was not budgeted for.

Additionally there was a shortfall of £31,000 on Land Charges fees.

(11) Housing Revenue Account (HRA)

Rental income was £537,000 less than budgeted in 2020/21. The collection rate was lower due to many tenants struggling with the financial impact of Covid-19. Rental income was also effected by properties within the Red Line of the Sheerwater Regeneration being held as vacant to facilitate the regeneration.

An ongoing saving of £244,280 has been found on the Gas and Statutory Inspection Schedule of the NVH Contract. This is offset by a £140,000 over spend on repairs and maintenance.

Depreciation replaces the Major Repairs Contribution and is transferred to the Major Repairs Reserve to be used on capital works to the stock or repaying debt. Depreciation was £154,000 lower than budgeted in 2020/21.

Employees and overheads were £4,000 more than budgeted in 2020/21.

(12) Investment Programme Revenue Projects

These projects are charged to the CIES net cost of services at year end and transfers are made from revenue reserves to cover their costs if they are not covered by specific grants. Variations arise as a result of the need to carry out additional projects in year, the cost of which is partly mitigated by slippage of other projects. Additionally this year, investment programme 'projects' were set up to monitor specific COVID related expenditure and income.

## **STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

### **Woking Borough Council's Responsibilities**

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 Woking, that officer is the Chief Finance Officer;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the statement of accounts.

### **The Chief Finance Officer's Responsibilities**

The Chief Finance Officer is responsible for the preparation of Woking's statement of accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice').

In preparing the 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.

The Chief Finance Officer has also:

- Kept proper accounting records which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities;
- Assessed the Authority's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- Used the going concern basis of accounting on the assumption that the functions of the Authority and the Group will continue in operational existence for the foreseeable future; and
- Maintained such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## MOVEMENT IN RESERVES STATEMENT

	General Fund (GF)	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	Notes 1/2	Notes 1/2	Note 3	Note 4	Note 5	Notes 6-12		
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Balance at 31 March 2019 carried forward</b>	<b>27,563</b>	<b>5,625</b>	<b>53,283</b>	<b>0</b>	<b>2,446</b>	<b>88,917</b>	<b>113,179</b>	<b>202,096</b>
<u>MOVEMENT IN RESERVES DURING 2019/20</u>								
Surplus or Deficit (-) on Provision of Services (accounting basis)	-15,328	1,699	0	0	0	-13,629	0	-13,629
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	1,954	1,954
Total Comprehensive Income and Expenditure	-15,328	1,699	0	0	0	-13,629	1,954	-11,675
Adjustments between accounting basis & funding basis under regulations	18,325	-1,702	4,663	5	-773	20,518	-20,518	0
Increase/Decrease (-) before Transfers to Earmarked Reserves	2,997	-3	4,663	5	-773	6,889	-18,564	-11,675
Transfers to/from (-) Earmarked Reserves	286	-286	0	0	0	0	0	0
Increase/Decrease in Year	3,283	-289	4,663	5	-773	6,889	-18,564	-11,675
<b>Balance at 31 March 2020 carried forward</b>	<b>30,846</b>	<b>5,336</b>	<b>57,946</b>	<b>5</b>	<b>1,673</b>	<b>95,806</b>	<b>94,615</b>	<b>190,421</b>
<u>MOVEMENT IN RESERVES DURING 2020/21</u>								
Surplus or Deficit (-) on Provision of Services (accounting basis)	-47,749	444	0	0	0	-47,305	0	-47,305
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	-345	-345
Total Comprehensive Income and Expenditure	-47,749	444	0	0	0	-47,305	-345	-47,650
Adjustments between accounting basis & funding basis under regulations	57,958	-1,242	5,989	11	1,707	64,423	-64,207	216
Increase/Decrease (-) before Transfers to Earmarked Reserves	10,209	-798	5,989	11	1,707	17,118	-64,552	-47,434
Transfers to/from (-) Earmarked Reserves (Note 2)	225	0	0	0	-225	0	0	0
Increase/Decrease (-) in Year	10,434	-798	5,989	11	1,482	17,118	-64,552	-47,434
<b>Balance at 31 March 2021 carried forward</b>	<b>41,280</b>	<b>4,538</b>	<b>63,935</b>	<b>16</b>	<b>3,155</b>	<b>112,924</b>	<b>30,063</b>	<b>142,987</b>

For notes to the Movement in Reserves Statement see pages 35 - 42

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2019/20				2020/21		
Expenditure £'000	Income £'000	Net Cost £'000		Expenditure £'000	Income £'000	Net Cost £'000
16,807	3,909	12,898	People	13,829	5,115	8,714
28,326	14,992	13,334	Place	20,914	11,168	9,746
32,950	27,336	5,614	Us	32,621	23,907	8,714
14,138	21,092	-6,954	Council Housing	13,757	19,661	-5,904
17,792	32,095	-14,303	Investment Programme Projects & Covid	30,224	21,262	8,962
<b>110,013</b>	<b>99,424</b>	<b>10,589</b>	<b>NET COST OF SERVICES</b>	<b>111,345</b>	<b>81,113</b>	<b>30,232</b>
		490	- Contribution to Housing Pooled Capital Receipts			723
		490	<b>Other Operating Expenditure</b>			723
		38,167	- Interest payable and similar charges			40,878
		4,266	- Pensions interest on obligation (pension notes pages 83-89)			3,761
		-2,547	- Expected return on pension assets (pension notes pages 83-89)			-2,193
		-25,466	- Investment interest income			-28,024
		-22,849	- Rentals received on investment properties			-21,327
		7,735	- Expenses incurred on investment properties			5,896
		19,767	- Changes in fair value of investment properties			43,575
		19,073	<b>Financing &amp; Investment Income &amp; Expenditure</b>			42,566
		-2,155	- Non-domestic rates income and expenditure			-4,159
		-4,288	- Non-ring fenced government grants			-11,946
		-10,079	- Council Tax Income			-10,111
		-16,522	<b>Taxation and Non-Specific Grant Income &amp; Expenditure</b>			-26,216
		<b>13,630</b>	<b>Surplus(-) or Deficit on Provision of Services</b>			<b>47,305</b>
		3,771	Surplus(-)/deficit on revaluation of Property, Plant & Equipment Assets			-12,121
		-5,725	Actuarial gains(-)/losses on pension assets/liabilities			12,466
		-1,954	<b>Other Comprehensive Income and Expenditure</b>			345
		<b>11,676</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>47,650</b>

Net Cost of Services includes the increase in provision for irrecoverable debts at 31 March 2021. Of this increase £3.1m relates to income due from Investment Properties.

Explanatory notes to the Comprehensive Income and Expenditure Statement are on pages 43 - 50

## BALANCE SHEET

31 MARCH 2020		31 MARCH 2021	
£'000		£'000	£'000
	Property, Plant & Equipment (note 1)		
285,421	- Council Dwellings	302,057	
163,920	- Other Land and Buildings	167,606	
6,226	- Vehicles, Plant and Equipment	6,836	
15,105	- Community Assets	15,105	
31,970	- Assets Under Construction	67,233	
502,642			558,837
918	Heritage Assets (note 2)		918
361,715	Investment Property (note 1)		329,716
168	Intangible Assets (note 1)		159
	Long-Term Investments (note 6)		
37,808	- Shareholdings in Companies		37,808
	Long-Term Debtors (note 7)		
1773	- Mortgagees		1,869
749,404	- Others		952,823
1,654,428	<b>Long Term Assets</b>		1,882,130
	Inventories (note 8)	5	
34,870	Short Term Debtors (note 9)	98,192	
19,012	Cash and Cash Equivalents (note 10)	14,571	
53,895	<b>Current Assets</b>		112,768
-86,953	Short-Term Borrowing (note 11)	-207,207	
-19,836	Short Term Creditors (note 12)	-36,029	
-155	Provision for accrued absences	-304	
-106,944	<b>Current Liabilities</b>		-243,540
-2,780	Provisions (note 16)	-1,509	
-1,299,596	Long-Term Borrowing (note 13)	-1,482,956	
-26,761	Liabilities from PFI & Similar Contracts (note 25)	-25,667	
-68,205	Liability related to pension scheme (pages 83-89)	-82,217	
-13,621	Capital Grants Receipts in Advance (note 14)	-16,020	
-1,410,963	<b>Long Term Liabilities</b>		-1,608,369
<b>190,416</b>	<b>Net Assets</b>		<b>142,989</b>

## BALANCE SHEET

31 MARCH 2020		31 MARCH 2021	
£'000		£'000	£'000
1,500	General Fund		1,500
29,343	Earmarked Reserves - GF		39,785
4,834	Earmarked Reserves - HRA		4,201
500	Housing Revenue Account		335
5	Major Repairs Reserve		16
57,946	Capital Receipts Reserve		63,935
1673	Capital Grants Unapplied		3,155
<b>95,801</b>	<b>Usable Reserves</b>		<b>112,927</b>
104,242	Revaluation Reserve		115,081
-68,205	Pensions Reserve (pension notes pages 80-86)		-82,217
60,496	Capital Adjustment Account		7,020
-963	Financial Instruments Adjustment Account		-944
-155	Employee Benefits Reserve		-304
-800	Collection Fund Adjustment Account		-8,574
<b>94,615</b>	<b>Unusable Reserves</b>		<b>30,062</b>
<b>190,416</b>	<b>TOTAL NET WORTH</b>		<b>142,989</b>

For notes to the Balance Sheet see pages 51-71

For further information on reserve movements during the year, see the notes to the Movement in Reserves Statement on pages 35-42

## CASH FLOW STATEMENT

2019/20		2020/21	
£'000		£'000	£'000
	<b><u>Revenue Activities</u></b>		
-13,629	Net surplus/deficit (-) on the provision of services	-47,305	
-2,335	Adjust net surplus/deficit (-) for non-cash movements (Note 1)	57,876	
-15,964	<b>Net cash flow from operating activities</b>		10,571
	<b><u>Investing activities</u></b>		
	<b><u>Cash Outflows</u></b>		
-95,679	Purchase of fixed assets and revenue expenditure funded from capital under statute	-91,436	
-238,189	Loans to subsidiaries and joint ventures	-256,286	
-500	Shareholdings in Companies	0	
-9,169	Movement in other long term debtors	-208	
-343,537			-347,930
	<b><u>Cash Inflows</u></b>		
2,886	Sale of assets	3,528	
29,278	Capital grants received	21,901	
12,001	Sale of Shareholdings in Companies	0	
4,665	Other capital cash receipts	5,739	
48,830			31,168
-294,707	<b>Net cash flow from investing activities</b>		-316,762
-310,671	<b>Net cash flow before financing</b>		-306,191
	<b><u>Management of Liquid Resources</u></b> (Notes 3, 4)		
10,005	Net movement in short term deposits	0	
10,005			0
	<b><u>Financing Activities</u></b> (Notes 2, 3)		
	<b><u>Cash Outflows</u></b>		
-10,775	Repayments of long term borrowing	-24,156	
-55,000	Repayments of short term borrowing	-156,000	
-991	Payment of PFI lease liability	-1,094	
-66,766			-181,250
	<b><u>Cash Inflows</u></b>		
175,000	New long term loans raised	195,000	
75,000	New short term loans raised	288,000	
250,000			483,000
183,234	<b>Net cash flow from financing activities</b>		301,750
193,239			301,750
-117,432	<b>Net increase/decrease (-) in cash and cash equivalents</b>		-4,441
136,444	<b>Cash and cash equivalents at 1 April</b>		19,012
19,012	<b>Cash and cash equivalents at 31 March</b>		14,571

For notes to the Cash Flow Statement see pages 72-73

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 1. GENERAL

The accounts have been prepared in accordance with the 2020/21 Code of Practice on Local Authority Accounting in the United Kingdom, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Code is based on International Financial Reporting Standards (IFRS).

The financial information within the statements follows the accounting principles of accruals, going concern and primacy of legislative requirements. Information is included with regard to the concepts of relevance, reliability, comparability and understandability together with a consideration of materiality.

Where it has been necessary to use estimates in order to most closely reflect the economic transactions a prudent basis has been adopted.

The Covid-19 pandemic has resulted in increased costs to the Council from March 2021 in responding to the crisis. There has also been reductions in income collected from fees and charges and expected reductions in commercial rent as the country was required to lockdown and businesses were closed. The impact in 2021/22 has been modelled in the Medium Term Financial Strategy (MTFS), and a 2021/22 balanced budget set, taking a prudent estimate of the loss of income and costs and utilising reserves. The MTFS approved by the Executive in July 2021 sets out details of the Council's approach to achieving a sustainable future financial position including a 'Fit for the Future' programme. The MTFS also includes a savings target to replenish the revenue reserves used to help balance the budget. As at 31 March 2021 the Council also had £15m in cash and liquid investment balances. Therefore the use of the going concern principle is considered applicable.

### 2. PROPERTY, PLANT AND EQUIPMENT

Expenditure on the acquisition, creation or enhancement of property, plant and equipment has been capitalised on an accruals basis in the accounts.

Tangible fixed assets are valued, as far as practicable, on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS). Fixed assets are classified into the groupings required by the Code. The following bases have been used:

- Land, operational properties and other operational assets are included in the balance sheet at existing use value where there is an active market for the asset. Where there is no active market, or the valuation is for a specialised asset, Depreciated Replacement Cost is used.
- Non-operational assets, including investment properties and assets that are surplus to requirements, are included in the balance sheet at Fair Value. In arriving at the fair value of the asset, the highest and best use of the property is deemed to be its current use. Investment property is property held solely to earn rentals or for capital appreciation, or both.
- Infrastructure assets and community assets are included in the balance sheet at historical cost.
- Surplus assets are included at Fair Value.

- Heritage assets are assets with historical, artistic, scientific, technological, geophysical or environmental qualities held and maintained principally for their contribution to knowledge or culture. Heritage assets are included in the balance sheet at their insurance valuation where available. Where no such valuation is available, then historic cost is used in the first instance, otherwise an estimate of the asset's value is made.
- Intangible fixed assets are initially included in the accounts at cost.

Revaluations of fixed assets are carried out on a rolling programme, although assets are valued more regularly where the rolling programme would be insufficient to ensure the material changes in valuation are recognised. Valuations are carried out by internal and external RICS qualified valuers in accordance with the Red Book. Assets valued over £1m are included by component when the useful economic life is materially different to that of the overall asset. Subsequent material expenditure is also listed by component.

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

Where valuations of fixed assets have fallen at the balance sheet date the value of the impairment is first taken from the Revaluation Reserve, where a balance for that individual asset exists, with any remaining impairment being charged to the income and expenditure account.

### **3. DEPRECIATION AND AMORTISATION**

Depreciation is provided on all tangible fixed assets where a finite useful life has been determined.

Depreciation is charged on operational buildings. There is no requirement to depreciate the land element of operational property, community assets or investment properties.

For newly acquired assets, depreciation is first provided for in the year after acquisition, whilst assets in the course of construction are not depreciated until they are brought into use. Where identified separately in accordance with the fixed asset accounting policy, individual components are depreciated over the component's estimated useful life.

Intangible assets are amortised over the useful economic life of the asset.

Depreciation and amortisation charges are calculated using the straight-line method. For the purposes of the calculation, the useful lives of assets are determined for each individual asset. Where it is not possible to do this, the lives of Mid-Range IT Hardware and Software are estimated at 7 years, and other IT assets, Equipment and Vehicles at 5 years. The intangible assets held at 31<sup>st</sup> March have a finite life and are amortised over a maximum of 7 years.

Prior to 2017/18 the notional Major Repairs Allowance was used as a proxy for depreciation on Council Dwellings. With effect from 1st April 2017 depreciation on Council Dwelling assets will be charged to the Housing Revenue Account in accordance with proper practices. Dwellings are depreciated on a straight line basis over their useful economic asset life.

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.

#### **4. CHARGES TO REVENUE FOR THE USE OF FIXED ASSETS**

In addition to depreciation, amounts set aside from revenue for the repayment of external loans, to finance capital expenditure or for transfers to earmarked reserves are disclosed separately in the Statement of movement in reserves. Impairments on Fixed Assets and revaluations below cost are also charged to revenue. Depreciation, impairment, and revaluation losses are reversed out in the accounts as a statutory adjustment to prevent them being charged to Council tax.

#### **5. 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 Comprehensive Income and Expenditure Statement in the year. Where it was 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 Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of the Council Tax.

#### **6. CAPITAL RECEIPTS**

Prior to the sale of an asset it is revalued, if appropriate, to establish the market value. The income from the disposal of fixed assets is credited to the Income and Expenditure Account on an accruals basis and offset by the write off of the fixed asset value which is also charged to the Income and Expenditure Account. Any difference between the capital receipt received and the market value of the fixed asset will be shown as profit or loss on the sale of fixed assets.

The Statement of Movement in the General Fund Balance reverses any profit or loss on the sale of fixed assets so that it is not charged to Council Tax. The reversal moves the income to the Usable Capital Receipts Reserve, or Deferred Capital Receipts if the income has not yet been received, and writes out the value of the asset from the Revaluation Reserve and Capital Adjustment Account.

#### **7. DEBTORS AND CREDITORS AND REVENUE RECOGNITION**

The Revenue Accounts of the Council are maintained on an accruals basis in accordance with the Code of Practice. This means that sums due to or from the Council during the year are included in the accounts where they are significant, whether or not the cash has actually been received or paid in the year.

Income is recognised in the accounts to match the timing of the related transfer of goods and services. Revenue from contracts with service recipients is recognised once the Authority satisfies the performance obligation under the contract.

#### **8. OVERHEADS AND SUPPORT SERVICES**

All management and administration costs have been charged to services based on estimated allocations or apportionments, with any residual balances being included in "Us" in the Comprehensive Income and Expenditure Statement Net Cost of Services.

## 9. PROVISIONS AND RESERVES

Capital accounting provisions require the maintenance of two reserve accounts in the Consolidated Balance Sheet:

- The Revaluation Reserve, which represents the balance of the surpluses or deficits arising on the revaluation of fixed assets since 1 April 2007.
- The Capital Adjustment Account, which represents amounts set aside from revenue resources or capital receipts to finance expenditure on fixed assets or for the repayment of external loans and other capital financing transactions.

The Council sets aside reserves to meet general, rather than specific, future capital or revenue expenditure. Any use or contribution to reserves is shown in the Statement of Movements in Reserves.

The Council also sets aside provisions for specific future expenses which are likely or certain to be incurred but, by their inherent nature, the amount or timing of which cannot yet be determined.

From 2018/19 impairment losses are recognised for financial assets in accordance with the expected credit loss model. This recognises credit risk from the initial recognition of the asset, including current debts within term.

Details of the Council's reserves and provisions are provided in the notes to the Balance Sheet and Statement of Movements in Reserves.

## 10. LEASES

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use of an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of the specific assets.

### The Authority as Lessee

#### Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the leases's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the authority are added to the carrying amount of the asset. Premiums paid on entry to a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and

A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant or equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The authority is not required to raise Council Tax to cover depreciation or revaluation impairment losses arising on leased assets. Instead, a prudent contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

#### Operating leases

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

#### The Authority as Lessor

##### Finance leases

The Authority does not have any finance leases.

##### Operating Leases

Where the authority 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.

## **11. EMPLOYEE BENEFITS**

#### Benefits payable during employment

Short-term employee benefits are those due to be settled 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.

Where employees have holiday entitlement, which has not been used at the Balance Sheet date, the value of the outstanding days, are accrued in the Comprehensive Income and Expenditure Statement. A provision is made for the value of the holiday due and is included within current liabilities on the Balance Sheet. The movement in the employee benefit accrual is transferred between the Employee Benefit reserve and the General Fund balance.

#### 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 "Us" line (formerly Non Distributed Costs) in the Comprehensive Income and Expenditure Statement at the earlier of when the authority 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 Pension Scheme, administered by Surrey County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The Local Government Pension Scheme is accounted for as a defined benefits scheme. The liabilities of the 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 Corporate Bond yield curve is constructed based upon a corporate bond yield curve (based on the constituents of the iBoxx AA corporate bond index). This is then adjusted to reflect the 'term' of the benefit.

The assets of the 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 pension's liability 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 arising from current year decisions 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 as part of "Us";
- net interest on the net defined benefit liability, i.e. net interest expense for the authority – the change during the period in the net defined benefit liability 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 measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments;

#### Re-measurements comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability – 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 – debited to the Pensions Reserve as Other Comprehensive Income and Expenditure; and
- 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 appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

#### 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.

For further details see the pensions explanatory notes.

Further information can be found in the Surrey County Council Pension Fund Annual Report which is available on request from Surrey County Council, PO Box 5, County Hall, Kingston-upon-Thames KT1 2EA.

## **12. GRANTS**

Grants for revenue expenditure are accounted for in the same period as the expenditure to which they relate.

Where a grant or contribution is received to purchase a fixed asset and any conditions have not been met the grant is credited to the capital grants received in advance.

When the conditions have been met or if there are no conditions the grant is recognised in the Comprehensive Income and Expenditure Statement. The grant is held in the capital grants unapplied reserve until the expenditure is incurred when it is transferred into the capital adjustment account.

## **13. CAPITALISATION OF INTEREST**

Finance costs incurred during the construction of fixed assets are capitalised in accordance with the requirements of IAS 23. Acquisitions, planned maintenance, improvements to existing assets and capital repairs are excluded from this policy. Capitalisation will cease on practical completion of the project which will then be categorised and included in the balance sheet in accordance with proper practices and Council policy.

## **14. FINANCIAL INSTRUMENTS**

### **Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the authority 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 authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable plus accrued interest, and the 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 authority 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 cashflow characteristics. There are three main classes of financial assets measured at:

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

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified at 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).

## **15. PFI SCHEME**

PFI contracts are agreements to receive services, where the responsibility for making available the property, plant or equipment needed to provide the service passes to the PFI contractor. As an authority is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant or equipment will pass to the authority at the end of the contracts for no additional charge, the authority carries the assets used under the contracts on its Balance Sheet as part of property, plant or equipment.

Expenditure on planning the Council's PFI housing scheme has been accounted for in the Comprehensive Income and Expenditure Statement except where the value of the Council's asset has been enhanced, where the costs are capitalised on the balance sheet. The final assets were completed in 2016/17. Expenditure by the PFI contractor is not shown in the Council's accounts. The liability relating to the associated ongoing contractual payments is shown within long term liabilities. The interest element of the Unitary Charge is included in the Comprehensive Income and Expenditure Statement, with the balance of the payment writing down the long term liability. There is also a Minimum Revenue Provision (MRP) shown within the Statement of Movement in the General Fund Balance and equivalent entry in the Capital Adjustment Account. Further details can be found in note 25 to the Balance Sheet.

#### **16. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise balances in the Council's bank account, money market account and money market funds. These are highly liquid investments repayable without penalty on notice of not more than 24 hours.

#### **17. VALUE ADDED TAX**

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

#### **18. SIGNIFICANT JUDGEMENTS**

There were no significant judgements required in 2020/21.

#### **19. IMPACT OF ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED**

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code), the Council is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code:-

IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2022.

## MOVEMENT IN RESERVES STATEMENT EXPLANATORY NOTES

### 1. NOTE OF ADJUSTMENTS BETWEEN THE BASIS OF ACCOUNTS AND FUNDING REQUIRED BY REGULATION

	2019/20 £'000	2020/21 £'000
<b>Surplus (-) or deficit for the year on the Comprehensive Income and Expenditure Statement</b>	13,629	47,305
<b>Amounts included in the Comprehensive Income and Expenditure Statement but required by statute to be excluded when determining the General Fund Balance for the year</b>		
Depreciation and impairment of fixed assets	-3,689	-3,882
Revaluation of fixed assets	-31,035	-43,026
Capital grants with no outstanding conditions	33,478	19,527
Write down of Revenue Expenditure Funded from Capital by Statute	-15,020	-25,964
Amounts by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	19	19
Adjustments made for accumulated absences	-23	-149
Net charges made for retirement benefits in accordance with IAS19	-3,183	-1,546
	-19,453	-55,021
<b>Amounts not included in the Comprehensive Income and Expenditure Statement but required to be included by statute when determining the Movement on the General Fund Balance for the year</b>		
Minimum revenue provision for capital financing (a)	6,077	6,814
Transfer to/from Collection Fund adjustment account	-2,955	-7,773
Transfer from Capital Receipts Reserve to meet payments to the Housing Capital Receipts Pool	-490	-723
	2,632	-1,682
<b>Surplus (-) or deficit for year adjusted as required by regulation</b>	-3,192	-9,398
<b><u>Movement on the General Fund Balance</u></b>		
Balance on General Fund brought forward	1,500	1,500
Surplus or deficit(-) for year adjusted as required by regulation (above)	3,192	9,398
Transfer to (-) or from (+) Housing Revenue Account Balance	-3	165
Transfer to (-) or from (+) Earmarked Reserves	-3,189	-9,569
Transfer from Investment Strategy Reserve	0	0
Increase in General Fund Balance for the Year	0	-6
Balance on General Fund carried forward	1,500	1,494

## **Movement in Earmarked Reserves**

Balance brought forward	31,188	34,177
Transfer to (-) or from (+) General Fund Balance	3,189	9,569
Transfer from Investment Strategy Reserve to General Fund Balance	0	0
Use of Earmarked Reserves to finance capital expenditure	-200	11
Movement in year	2,989	9,580
Balance carried forward	34,177	43,757

(a) The Minimum Revenue Provision (MRP) is the statutory charge for capital financing and is based on the opening non-HRA Capital Financing Requirement (CFR). The CFR represents the debt liability within the balance sheet (excluding borrowing applied to loans to group companies), adjusted to take account of differences arising from the financial regime prior to April 2004. It has been calculated in line with the MRP policy as approved by the Council on 13 February 2020.

The CFR arising prior to 2008/09 is subject to a 4% MRP (except for group company share purchases which are depreciated at 1%). Expenditure since 2008/09 has been written down based on an assessment of the asset's useful life.

Where expenditure was incurred that cannot be linked to an individual asset, asset lives have been assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure was involved, it has been grouped together in a manner which reflects the nature of the main component of expenditure, and only divided up in cases where there are two or more major components with substantially different useful economic lives.

## **2. EARMARKED RESERVES**

	Balance	Receipts	Payments	Balance	Receipts	Payments	Balance
	1.4.19	in Year	in Year	1.4.20	in Year	in Year	31.3.21
<u>General Fund</u>	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Investment Strategy Reserve	3,295	285	-1,127	2,453	2,926	-2,325	3,054
Insurance Fund	390	0	-205	185		-160	25
Community Fund	377	180	-134	423	176	-54	545
Wolsey Place Reserve	4,129	406	-1,336	3,199	384		3,583
Group Company Reserve	750	0	0	750			750
New Homes Bonus Reserve	810	718	-414	1,114	276	-145	1,245
Equipment Reserve	380	50	0	430	50		480
Business Rate Equalisation	3,151	874	0	4,025	7,120	-1,569	9,576
PFI Reserve	2,739	0	0	2,739			2,739
Victoria Square Reserve	1,097	1,591	-703	1,985	1,727	-363	3,349
MTFS Reserve	4,971	28	0	4,999	1,569	-2,700	3,868
Town Centre Management							
Agreement Reserve	282	188	0	470		-19	451
Off Street Parking Reserve	2,000	0	0	2,000			2,000
Syrian Refugee Reserve	422	113	0	535	672		1,207
Homelessness Support Reserve	306	0	-43	263		-81	182
HS2 Reserve	0			0	2,800		2,800
Dukes Court Reserve	366	2,907	0	3,273			3,273
Other Reserves	597	276	-373	500	231	-73	658
	26,062	7,616	-4,335	29,343	17,931	-7,489	39,785

### Housing Revenue Account

#### Housing Investment Programme

	5,126	529	-821	4,834		-633	4,201
Total Earmarked Reserves	<u>31,188</u>	<u>8,145</u>	<u>-5,156</u>	<u>34,177</u>	<u>17,931</u>	<u>-8,122</u>	<u>43,986</u>

The Investment Programme Reserves – Investment Strategy Reserve and Housing Investment Programme (HIP) will be used to finance Investment Programme projects, and are earmarked, by memoranda, for specific uses.

The Insurance Fund was established in 1977 in order to meet liabilities for which insurance cover was unavailable or not cost effective. Initially it included provision for potential claims for damages in respect of building control, but insurance cover for this has been effective from February 1983. However, there remains a potential liability for claims in respect of defects which become apparent before that date, and any liabilities arising as a result of Municipal Mutual Insurance ceasing to trade in 1993.

The Community Fund was established in 1982 to provide financial assistance to qualifying community organisations for the provision of new or improved facilities, or maintenance thereof for the benefit of persons living within the Borough. The criteria were extended in October 1984 to enable applications to be considered individually on merit from a wider range of local organisations established and operating for the residents of the Borough.

The Wolsey Place Reserve was established in 2009/10 to meet any market variations in rental income and other costs incurred during redevelopment phases. In September 2011 it was credited with a £10 million receipt on surrender of a lease by a tenant of Export House. The balance has partly been used to mitigate costs relating to the property in particular until new tenants were identified.

The Group Company Reserve was established during 2010/11 to provide a fund against the risks associated with the Thamesway group company business plans.

The New Homes bonus reserve was created following the introduction of the funding by the government in 2011/12 which is intended to fund infrastructure costs arising from developments including the Community Assets Programme.

The Equipment Reserve is a reserve established during 2012/13 to hold funds earmarked for renewing minor items of equipment.

The Business Rate Equalisation Reserve is a reserve established during 2012/13 to hold funds earmarked to mitigate fluctuations in business rates income.

The PFI Reserve was established in 2013/14 to hold funds earmarked for the PFI scheme at Moor Lane and to mitigate fluctuations in cash flows related to the scheme.

The Victoria Square Reserve has been established to hold the arrangement fees from loans to Victoria Square Woking Ltd. The reserve will be used to defray costs to the Council and assist in managing any adverse impact during the construction period.

The Medium Term Financial Strategy (MTFS) Reserve was established in 2015/16 to hold funds earmarked to mitigate central government changes to local government funding in order to allow time for the Council's medium term strategy to be implemented.

The Town Centre Management Agreement Reserve is a reserve established during 2013/14 to hold funds earmarked for the management of the highway network within the town centre.

The Off-Street Parking Reserve is a reserve established during 2017/18 to hold funds earmarked to supplement the income generated from new parking facilities while activity increases to projected levels.

The Syrian Refugee Reserve was established in 2017/18 to hold funds earmarked for the Syrian Refugee Programme. Home Office funding is paid on a per family basis and is phased across a number of years. The corresponding expenditure does not entirely match the profiling of the funding and any annual surplus is held in reserves to be used in future years.

The Homelessness Support Reserve was established in 2017/18 to hold any additional homelessness prevention funding. This is to be used in future years to help mitigate the impact of the Homelessness Reduction Act on Housing Needs budgets. The additional funding is being utilised to provide additional services rather than being taken as a saving to reduce the cost of the Council's existing Housing services.

The HS2 Reserve was established in 2020/21 to hold funds received by the council for the future maintenance of graves which have been relocated by the HS2 project.

The Dukes Court reserve has been established to create a fund to meet future landlord investment in the building and to meet any rental shortfalls.

### 3. USABLE CAPITAL RECEIPTS

The Usable Capital Receipts reserve shows the funds available from the sale of Council assets.

	2019/20	2020/21
	£'000	£'000
<u>Movements in realised capital resources</u>		
Amounts receivable	7,551	9,258
Transfer of principal repayments (rec'd) from Deferred Capital Receipts	0	0
Amounts transferred to DCLG for Pooling	-490	-723
Amounts used to offset Sale of Council Houses Admin	-20	-13
Amounts applied to finance new capital expenditure	-2,378	-2,533
<b>Total increase/decrease(-) in realised capital resources</b>	<b>4,663</b>	<b>5,989</b>
Balance brought forward at 1 April	53,283	57,946
<b>Balance carried forward at 31 March</b>	<b>57,946</b>	<b>63,935</b>
Group company loan repayments	52,697	58,426
Held for replacement housing	3,043	1,583
Held for other investment programme use	2,206	3,926
	<b>57,946</b>	<b>63,935</b>

### 4. MAJOR REPAIRS RESERVE

The Major Repairs Reserve is credited with a Major Repairs Contribution, equivalent to depreciation, and is used to fund improvements to the Council's Housing Stock.

	2019/20	2020/21
	£'000	£'000
Expenditure financed from the Major Repairs Reserve	-3,767	-3,728
HRA Depreciation transferred from Capital Adjustment Account	3,772	3,739
<b>Total movement on the Major Repairs Reserve</b>	<b>5</b>	<b>11</b>
Balance brought forward at 1 April	0	5
<b>Balance carried forward at 31 March</b>	<b>5</b>	<b>16</b>

For further information on the Major Repairs Reserve and the Major Repairs Contribution see note 4 to the Housing Revenue Account on page 77.

## 5. CAPITAL GRANTS UNAPPLIED

The capital grants unapplied balance represents grants which have not been used at the balance sheet date. These grants do not have conditions which could result in the income being repayable.

	2019/20	2020/21
	£'000	£'000
Usable capital grants receivable	3,843	2,717
Capital grant unspent with no conditions transferred from I&E	229	1,482
Grant income transferred to I&E	-3,843	-2,492
Transfer of CIL Admin Balance to Investment Strategy Reserve		-225
Use of prior year capital grants to finance capital expenditure	-1,002	
<b>Total movement on Capital Grants Unapplied</b>	<b>-773</b>	<b>1,482</b>
Balance brought forward at 1 April	2,446	1,673
<b>Balance carried forward at 31 March</b>	<b>1,673</b>	<b>3,155</b>

## 6. REVALUATION RESERVE

The Revaluation Reserve represents the balance of the surpluses or deficits arising on the revaluation of fixed assets since 1 April 2007.

	2019/20	2020/21
	£'000	£'000
<u>Movements in unrealised value of fixed assets</u>		
Gains \ losses(-) on revaluation of fixed assets	-3,771	12,121
Depreciation On Revalued Assets	-1,009	-1,282
Total increase in unrealised capital resources	-4,780	10,839
<u>Value of assets sold, disposed of or decommissioned</u>		
Amounts written off fixed asset balances for disposals	-11	0
Balance brought forward at 1 April	109,033	104,242
<b>Balance carried forward at 31 March</b>	<b>104,242</b>	<b>115,081</b>

## 7. PENSIONS RESERVE

The Pension Reserve represents the Council's liability in relation to retirement benefits.

	2019/20	2020/21
	£'000	£'000
Difference between amounts charged to the Comprehensive Income and Expenditure Statement and actual amounts payable in the year	-3,183	-1,546
Actuarial gains/(losses)	5,725	-12,466
<b>Total movement on the pension reserve</b>	<b>2,542</b>	<b>-14,012</b>
Balance brought forward at 1 April	-70,747	-68,205
<b>Balance carried forward at 31 March</b>	<b>-68,205</b>	<b>-82,217</b>

For further information on the Pension Fund, see pensions explanatory notes on pages 83-89.

## 8. CAPITAL ADJUSTMENT ACCOUNT

The Capital Adjustment Account represents amounts set aside from revenue resources or capital receipts to finance expenditure on fixed assets or for the repayment of external loans and other capital financing transactions.

	2019/20	2020/21
	£'000	£'000
<u>Amounts applied to Capital Investment:</u>		
Useable receipts applied	2,378	2,533
Amounts applied from Major Repairs Reserve	3,767	3,728
Amounts applied from HIP Reserve	30	0
Revenue reserves applied:		
- Investment Strategy Reserve	65	0
- IT Reserve	123	0
<b>Total amounts applied to Capital Investment</b>	<b>6,363</b>	<b>6,261</b>
<u>Amounts transferred to the General Fund balance</u>		
Write down Revenue Expenditure Funded from Capital by Statute	-15,020	-25,964
Grants and Contributions applied	33,249	18,045
Grant and Contributions applied from prior year grants	1,002	0
Provision for loan repayment (MRP)	6,077	6,814
Less: Depreciation	-3,689	-3,882
Plus: Depreciation on Revalued Assets	1,009	1,282
<b>Total transfer to the General Fund</b>	<b>22,628</b>	<b>-3,705</b>
Transfer HRA depreciation to Major Repairs	-3,772	-3,739
Write down of long term debtors	-4,665	-5,739
Disposal Of Fixed Assets	-2,875	-3,528
Investment Property Revaluations	-19,767	-43,575
Revaluation increase\decreases recognised in the Provision of Services	-11,268	549
<b>Total increase in amounts set aside to finance capital investment</b>	<b>-13,356</b>	<b>-53,476</b>
Balance brought forward at 1 April	73,852	60,496
<b>Balance carried forward at 31 March</b>	<b>60,496</b>	<b>7,020</b>

## 9. FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

The Financial Instruments Adjustment Account was introduced in 2007/08. The Opening Balance represented the impact of restating LOBOs to amortised cost basis at 31 March 2007. The movements in the reserve represent the difference between interest costs calculated in accordance with the Code using the effective interest rate approach and interest costs calculated in accordance with statutory requirements.

	2019/20	2020/21
	£'000	£'000
<u>Movements in financial instruments</u>		
Overhanging premia written off to I&E	16	16
Being adjustment to I&E to reflect LOBO Effective Interest Rate	3	3
<b>Total adjustment in financial instruments</b>	<b>19</b>	<b>19</b>
Balance brought forward at 1 April	-982	-963
<b>Balance carried forward at 31 March</b>	<b>-963</b>	<b>-944</b>

## 10. EMPLOYEE BENEFITS RESERVE

This reserve recognises when employees render service and increase their entitlement to future benefit and therefore measures the additional amount the authority expects to pay as a result of unused entitlement (e.g. accrued leave).

	2019/20	2020/21
	£'000	£'000
Movement in year - General Fund	20	128
Movement in year - HRA	3	21
<b>Total adjustment</b>	<b>23</b>	<b>149</b>
Balance brought forward at 1 April	132	155
<b>Balance carried forward at 31 March</b>	<b>155</b>	<b>304</b>

## 11. COLLECTION FUND ADJUSTMENT ACCOUNT

The Collection Fund is accounted for on an agency basis. The Comprehensive Income and Expenditure Statement shows the accrued amounts due to the Council from the Collection Fund in year. A reversal to the Collection Fund Adjustment Account is required to reflect the statutory position. The balance represents the Council's cumulative surplus or deficit on the Collection Fund.

	2017/18	2018/19	2019/20	2020/21
	£	£	£	£
Council's share of in-year Collection Fund surplus/deficit (-) : Council Tax	98,683	29,508	44,014	-121,746

	<u>31 March</u>		
	2019	2020	2021
	£	£	£
Balance on Collection Fund Adjustment Account:			
- Council Tax	128,191	73,522	-77,732
- Business Rates	2,026,837	-873,629	-8,495,647
	<u>2,155,028</u>	<u>-800,107</u>	<u>-8,573,379</u>

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT EXPLANATORY NOTES

### 1. a) EXPENDITURE AND FUNDING ANALYSIS

#### 2020/21

	Net Expenditure Chargeable to the General Fund & HRA Balances	Adjustments between Funding and Accounting Basis (Note 1.(b))	Net Expenditure in the Comprehensive Income & Expenditure Statement
	£000	£000	£000
People	9,647	-933	8,714
Place	-6,338	16,083	9,745
Us	4,747	3,967	8,714
Council Housing (Housing Revenue Account)	-4,761	-1,142	-5,903
Investment Programme Projects (General Fund)	4,264	4,699	8,963
<b>NET COST OF SERVICES</b>	<b>7,559</b>	<b>22,674</b>	<b>30,233</b>
Other income and expenditure	-17,195	34,268	17,073
<b>Surplus(-) or deficit on Provision of Services</b>	<b>-9,636</b>	<b>56,942</b>	<b>47,306</b>
Opening General Fund & HRA Balance at 1 April	36,177		
Deficit(-)/Surplus on General Fund & HRA Balance in Year	9,636		
<b>Closing General Fund &amp; HRA Balance at 31 March</b>	<b>45,813</b>		

#### Analysed between General Fund & HRA Balances

	General Fund £000	HRA £000	Total £000
Opening General Fund & HRA Balance at 1 April	30,843	5,334	36,177
Less Deficit/Surplus(-) on General Fund & HRA Balance in Year	10,434	-798	9,636
<b>Closing General Fund &amp; HRA Balance at 31 March</b>	<b>41,277</b>	<b>4,536</b>	<b>45,813</b>

#### 2019/20

	Net Expenditure Chargeable to the General Fund & HRA Balances	Adjustments between Funding and Accounting Basis (Note 1.(b))	Net Expenditure in the Comprehensive Income & Expenditure Statement
	£000	£000	£000
People	10,470	2,428	12,898
Place	-11,561	24,895	13,334
Us	4,592	1,022	5,614
Council Housing (Housing Revenue Account)	-7,666	711	-6,955
Investment Programme Projects	2,775	-17,078	-14,303
<b>NET COST OF SERVICES</b>	<b>-1,390</b>	<b>11,978</b>	<b>10,588</b>
Other income and expenditure	-1,604	4,645	3,041
<b>Surplus(-) or deficit on Provision of Services</b>	<b>-2,994</b>	<b>16,623</b>	<b>13,629</b>
Opening General Fund & HRA Balance at 1 April	33,185		
Deficit(-)/Surplus on General Fund & HRA Balance in Year	2,994		
<b>Closing General Fund &amp; HRA Balance at 31 March</b>	<b>36,179</b>		

#### Analysed between General Fund & HRA Balances

	General Fund £000	HRA £000	Total £000
Opening General Fund & HRA Balance at 1 April	27,562	5,623	33,185
Less Deficit/Surplus(-) on General Fund & HRA Balance in Year	3,283	-289	2,994
<b>Closing General Fund &amp; HRA Balance at 31 March</b>	<b>30,845</b>	<b>5,334</b>	<b>36,179</b>

## 1. b) EXPENDITURE AND FUNDING ANALYSIS: ADJUSTMENTS BETWEEN FUNDING AND ACCOUNTING BASIS

Adjustments to arrive at the Comprehensive Income and Expenditure Statement amounts in 2020/21	Adjustments for Capital Purposes (Note i)	Net change for the Pensions Adjustments (Note ii)	Other Differences (Note iii)	Total Adjustments
	£000	£000	£000	£000
People	-1,002	69	0	-933
Place	564	89	15,431	16,084
Us	0	77	3,890	3,967
Council Housing (Housing Revenue Account)	-1,160	-3	21	-1,142
Investment Programme - REFFCUS (Note vi)	25,961	0	0	25,961
Investment Programme - Grants/Other Income (Notes vii)	0	0	-21,262	-21,262
	24,363	232	-1,920	22,675
<b>Other income and expenditure from the Funding Analysis (Note v)</b>	22,885	1,314	9,842	34,041
<b>Difference between the General Fund and Comprehensive Income and Expenditure Surplus or Deficit (Note iv)</b>	<b>47,248</b>	<b>1,546</b>	<b>7,922</b>	<b>56,716</b>

### Notes

i) Column includes depreciation and impairment and gains and losses and Revenue Expenditure Funded from Capital under Statute (REFFCUS) and Investment Programme Projects charged to the Housing Revenue Account.

ii) Column includes pension adjustments required by IAS19.

iii) Column includes:

- investment properties which are included in "Place" but appear in "Financing and Investment Income & Expenditure" in the Comprehensive Income and Expenditure Statement (not in "Net Cost Services").
- adjustments to "Us" in respect of items previously shown as "Non distributed costs" and "Other Financial Adjustments" (see note 3) which appear in "Net Cost Services" but are not included in People, Place and Us.
- Grants and other income (see vii).

iv) Total adjustments agrees to the "Adjustments between accounting basis & funding basis under regulations" in respect of the General Fund and Housing Revenue Account (columns) in the Movement in Reserves Statement on page 30.

v) Income and expenditure not included in Net Cost of Services but included in Comprehensive Income and Expenditure Surplus or Deficit.

vi) Row includes write downs of Investment Programme projects classified as Revenue Expenditure Funded from Capital under Statute (REFFCUS).

vii) Row includes grants related to Investment Programme Projects.

Adjustments to arrive at the Comprehensive Income and Expenditure Statement amounts in 2019/20	Adjustments for Capital Purposes (Note i)	Net change for the Pensions Adjustments (Note ii)	Other Differences (Note iii)	Total Adjustments
	£000	£000	£000	£000
People	1,971	457	0	2,428
Place	9,288	492	15,114	24,894
Us	20	514	488	1,022
Council Housing (Housing Revenue Account)	503	205	3	711
Investment Programme - REFFCUS (Note vi)	15,017	0	0	15,017
Investment Programme - Grants/Other Income (Notes vii)	0	0	-32,095	-32,095
	26,799	1,668	-16,490	11,977
<b>Other income and expenditure from the Funding Analysis (Note v)</b>	-16,337	1,515	19,468	4,646
<b>Difference between the General Fund and Comprehensive Income and Expenditure Surplus or Deficit (Note iv)</b>	<b>10,462</b>	<b>3,183</b>	<b>2,978</b>	<b>16,623</b>

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT EXPLANATORY NOTES

### 2. AGENCY SERVICES

The Council continues to administer on-street parking arrangements in Woking and Surrey Heath, bus lane enforcement, town centre maintenance functions and tree and verge maintenance on behalf of Surrey County Council. Rent is collected on behalf of Thamesway Housing Limited and paid over to them but is not recorded as income or expenditure in the Council's own financial statements. The Council also acted as an agent for the government in the payment of mandatory COVID grants (£19.5m of business support grants and £89.5k test and trace grants).

### 3. MEMBERS' ALLOWANCES

Members' Allowances of £274,550 are included in the Comprehensive Income and Expenditure Statement for 2020/21, compared with £275,661 for 2019/20. This includes telephone, broadband, Blackberry/iPad, travel and dependant care allowances. In addition, all Members qualify for Car Park Season tickets.

### 4. OPERATING LEASES

The Council leases property, vehicles and a small number of pieces of equipment. The cost incurred in the year is included in the Comprehensive Income and Expenditure Statement.

	<u>Lease Payments</u>	
	<u>2019/20</u>	<u>2020/21</u>
	£'000	£'000
Property	1,332	1,936
Vehicles	481	262
Other Equipment	25	13
	<b><u>1,838</u></b>	<b><u>2,211</u></b>

	<u>Lease payments due:</u>		
	<u>Within 1 year</u>	<u>2-5 years</u>	<u>Over 5 years</u>
	£'000	£'000	£'000
<u>2020/21</u>			
Property	563	1,225	5,740
Vehicles	229	145	0
Other Equipment	5	0	0
	<b><u>797</u></b>	<b><u>1,370</u></b>	<b><u>5,740</u></b>
<u>2019/20</u>			
Property	380	835	5,758
Vehicles	218	217	0
Other Equipment	13	0	0
	<b><u>611</u></b>	<b><u>1,052</u></b>	<b><u>5,758</u></b>

In addition the Council generates income from property leases, amounting to £21.3m in 2020/21 (£22.8m in 2019/20). The provision for irrecoverable debts has been increased by £3.1m reflecting the difficult financial environment experienced by some tenants during the pandemic. Ongoing leases will generate future income of £16m in 2021/22, £49m in 2022/23 to 2025/26 and £144m from 2025/26 onwards.

## 5. RELATED PARTIES

The only material related party relationships involving Members or Chief Officers in 2020/21 are in respect of the Council's subsidiary companies and joint ventures. Details of investments in companies in the Thameswey group and other joint ventures and subsidiaries during the year, along with the loans made to these companies during 2020/21, are detailed fully in note 6 and note 7 to the Balance Sheet.

The Council paid Thameswey Energy Limited (TEL) £2.8m for the provision of energy services to council owned properties, £48k to Thameswey Sustainable Communities Limited (TSL) for consultancy support, £146k to Thameswey Maintenance Services Ltd for maintenance and upgrade works. Income of £1m was received from the sale of surplus energy, rents and in respect of administrative support and trademark licence fees. The council also transferred £9.36m of government Green Homes grant to TSL and £4.78m to Thameswey Developments Ltd (TDL).

The Council made loans to Thameswey Central Milton Keynes Ltd (TCMK), £2.5 million, Thameswey Housing, £26.7 million, Thameswey Developments Ltd relating to the Sheerwater Regeneration, £2.7 million, Thameswey Developments Ltd for Thameswey Housing, £2 million, Thameswey Energy Limited, £0.3 million, Thameswey Energy Limited for Poole Road Energy Centre, £22.1 million, Thameswey Housing Limited for Sheerwater property purchases, £2.4 million, Thameswey Housing Limited for Sheerwater Purple Phase, £23.2 million, Victoria Square Woking Ltd, £174.4 million, to provide the companies with resources to advance their businesses.

Transactions with organisations grant aided by the Council and where there is a Member or Officer registered interest have been reviewed. In no cases is it considered that these are material to the Council, or the organisation concerned, or that control or significant influence is exercised through this relationship.

The Council is also involved in significant financial transactions with Surrey County Council and Surrey Police and Crime Commissioner, which are included in the Collection Fund on page 80. Central UK Government exerts significant influence through legislation and grant funding, transactions with the government are incorporated in the Collection Fund, Comprehensive Income and Expenditure Statement, Housing Revenue Account and Cash Flow Statement.

## 6. EXTERNAL AUDIT FEES

	<u>2019/20</u>	<u>2020/21</u>
	£'000	£'000
Fees payable to the external auditors (as set by Public Sector Audit Appointments - currently under review):		
- in respect of statutory Code of Practice audits	42	42
- for the certification of grant claims and returns	10	10
	<u>52</u>	<u>52</u>

## 7. IMPAIRMENT

The net revaluation movement recognised in the Surplus/Deficit on the Provision of Services included a £658,589 and £47,574,044 revaluation loss on Other Land and Buildings/Assets Under Construction and Investment Property assets respectively in 2020/2021 (£14,214,703 and £25,333,701 in 2019/20). See note 1 in the notes to the Balance Sheet for the overall revaluation movement on these classes of assets. Revaluation losses are charged to the Comprehensive Income and Expenditure Statement for assets which do not have a sufficient balance on the Revaluation Reserve to cover their fall in value. Changes in the fair value of Investment Property are reported separately on the Comprehensive Income and Expenditure Statement.

The reduced valuations have no impact on the General Fund or Housing Revenue Account balances as they are required by statute to be excluded when determining the General Fund Balance for the year.

## 8. TERMINATION BENEFITS

<u>Cost band</u>	<u>Number of Employees</u>	
	<u>2019/20</u>	<u>2020/21</u>
£0 - £20,000	15	14
£20,001 - £40,000	5	1
£40,001 - £60,000	3	2
£60,001 - £80,000	0	2
£80,001 - £100,000	2	0
	<b>25</b>	<b>19</b>

The total cost of termination benefits charged to the authority's Comprehensive Income and Expenditure Statement in the current year is £345,893 (£627,556 in 2019/20). There were 8 compulsory redundancies in 2020/21 (9 in 2019/20).

## 9. REMUNERATION TO EMPLOYEES OVER £50,000

<u>Remuneration band</u>	<u>Number of Employees</u>	
	<u>2019/20</u>	<u>2020/21</u>
£50,000 to £54,999	13	11
£55,000 to £59,999	6	8
£60,000 to £64,999	6	8
£65,000 to £69,999	5	8
£70,000 to £74,999	4	4
£75,000 to £79,999	2	1
£80,000 to £84,999	2	2
£85,000 to £89,999	-	1
£90,000 to £94,999	2	4
£95,000 to £99,999	-	1
£130,000 to £134,999	1	1
£135,000 to £139,999	1	-
£145,000 to £149,999	1	-
£180,000 to £184,999	-	1
	<b>43</b>	<b>50</b>

The bandings include the number of employees whose remuneration, excluding employer's pension contributions, was £50,000 or more. The bandings include the remuneration of senior employees who have been listed individually in note 10.

## 10. PAYMENTS TO SENIOR MANAGERS - TO BE UPDATED

Annual remuneration paid to Senior Officers who are defined as Corporate Management Group members.

Post holder information (Post title)	--- 2019/20 ---			----- 2020/21 -----		
	Total Remuneration including pension contributions £	Annual Remuneration (Including fees & allowances) £	Compensation for loss of office £	Total Remuneration excluding pension contributions £	Pension contributions £	Total Remuneration including pension contributions £
Chief Executive (Note 1)	131,783			0		0
Deputy Chief Executive (Note 1)	157,286			0		0
Strategic Director (Note 2)	0			0		0
Head of Democratic and Legal Services (Note 1)	108,409			0		0
Finance Director (Chief Finance Officer) (Note 3)	85,085			0		0
Director of Housing (Note 4)	96,081			0		0

Note 1: Includes payments for a Borough Election, European Parliamentary Election and UK Parliamentary Election duties held during 2019/20.

Note 2: The Finance Director works 30 hours per week. The annualised remuneration is equivalent to £91,561 in 2019/20.

## 11. EXPENDITURE AND INCOME ANALYSED BY NATURE

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

<b>Expenditure/Income</b>	2019/20 £'000	2020/21 £'000
<b>Expenditure</b>		
Employee benefit expenses	22,966	22,733
Other services expenses	66,678	65,672
Depreciation, amortisation, impairment	52,543	76,737
Interest payments	38,167	40,878
Payments to Housing Capital Receipts Pool	490	723
<b>Total Expenditure</b>	<b>180,844</b>	<b>206,743</b>
<b>Income</b>		
Fees, charges and other service income	125,226	105,198
Interest and investment income	25,466	28,024
Income from council tax and non-domestic rates	12,225	14,270
Government grants and contributions	4,297	11,946
<b>Total Income</b>	<b>167,214</b>	<b>159,438</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>13,630</b>	<b>47,305</b>

## 12. INVESTMENT PROGRAMME REVENUE PROJECTS

The investment programme projects line in net cost of services includes revenue expenditure and income relating to 'projects' kept separate from regular service budgets due to their 'ad hoc' nature. Some pandemic related expenditure, such as discretionary grants paid out (of £1.9m) and the corresponding government grants, are included here.

## 1. MOVEMENT OF FIXED ASSETS

	Council Dwellings	Other Land & Buildings	Vehicles and Plant	Community Assets	Investment Properties	Assets Under Construction	Intangible Assets	Heritage Assets	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>									
<b>At 1 April 2020</b>	285,421	166,833	24,139	15,105	361,715	31,969	917	918	<b>887,017</b>
Additions (b)	10,900	8,197	2,036		25,520	19,549	39		<b>66,241</b>
Accumulated Depreciation & Impairment Written Off To Gross Carrying Amount									<b>0</b>
Revaluation increases/decreases(-) recognised in the Revaluation Reserve (c) & (d)	11,808	313							<b>12,121</b>
Revaluation increases/decreases(-) recognised in the Surplus/Deficit on the Provision of Services (c) & (d)		549			-43,575				<b>-43,026</b>
Derecognition - Disposals	-2,333				-1,195				<b>-3,528</b>
Other Movement In Costs or Valuation		-2,965			-12,749	15,714			<b>0</b>
<b>At 31 March 2021 [A]</b>	<b>305,796</b>	<b>172,927</b>	<b>26,175</b>	<b>15,105</b>	<b>329,716</b>	<b>67,232</b>	<b>956</b>	<b>918</b>	<b>918,825</b>
<b>Accumulated Depreciation &amp; Impairment</b>									
<b>At 1 April 2020</b>	0	-2,913	-17,913	0	0	0	-749	0	<b>-21,575</b>
Depreciation Charge In Year	-3,739	-2,408	-1,426				-48		<b>-7,621</b>
Accumulated Depreciation & Impairment Written Off To Gross Carrying Amount									<b>0</b>
<b>At 31 March 2021 [B]</b>	<b>-3,739</b>	<b>-5,321</b>	<b>-19,339</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-797</b>	<b>0</b>	<b>-29,196</b>
<b>Net Book Value</b>									
At 31 March 2021 <b>[A]-[B]</b>	302,057	167,606	6,836	15,105	329,716	67,232	159	918	<b>889,629</b>
At 31 March 2020	285,421	163,920	6,226	15,105	361,715	31,969	168	918	<b>865,442</b>

	Council Dwellings	Other Land & Buildings	Vehicles and Plant	Community Assets	Investment Properties	Assets Under Construction	Intangible Assets	Heritage Assets	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b><u>Cost or Valuation</u></b>									
<b>At 1 April 2019</b>	293,725	152,520	22,259	15,100	330,431	34,205	893	918	<b>850,051</b>
Additions (b)	7,073	4,693	1,880	5	45,669	21,585	24	0	<b>80,929</b>
Accumulated Depreciation & Impairment Written Off To Gross Carrying Amount	-3,772	-2,498	0	0	0	-1	0	0	<b>-6,271</b>
Revaluation increases/decreases(-) recognised in the Revaluation Reserve (c) & (d)	-11,824	14,035	0	0	0	-5,982	0	0	<b>-3,771</b>
Revaluation increases/decreases(-) recognised in the Surplus/Deficit on the Provision of Services (c) & (d)	0	-766	0	0	-19,767	-10,502	0	0	<b>-31,035</b>
Derecognition - Disposals	-2,426	-360	0	0	-100	0	0	0	<b>-2,886</b>
Derecognition - Other	0	0	0	0	0	0	0	0	<b>0</b>
Other Movement In Costs or Valuation	2,645	-791	0	0	5,482	-7,336	0	0	<b>0</b>
<b>At 31 March 2020</b>	<b>285,421</b>	<b>166,833</b>	<b>24,139</b>	<b>15,105</b>	<b>361,715</b>	<b>31,969</b>	<b>917</b>	<b>918</b>	<b>887,017</b>
<b><u>Accumulated Depreciation &amp; Impairment</u></b>									
<b>At 1 April 2019</b>	0	-2,987	-16,697	0	0	0	-700	0	<b>-20,384</b>
Depreciation Charge in year	-3,772	-2,424	-1,216	0	0	0	-49	0	<b>-7,461</b>
Accumulated Depreciation & Impairment Written Off To Gross Carrying Amount	3,772	2,498	0	0	0	0	0	0	<b>6,270</b>
Derecognition - Other	0	0	0	0	0	0	0	0	<b>0</b>
<b>At 31 March 2020</b>	<b>0</b>	<b>-2,913</b>	<b>-17,913</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-749</b>	<b>0</b>	<b>-21,575</b>
<b><u>Net Book Value</u></b>									
At 31 March 2020	285,421	163,920	6,226	15,105	361,715	31,969	168	918	<b>865,442</b>
At 31 March 2019	293,725	149,533	5,562	15,100	330,431	34,205	193	918	<b>829,667</b>

(a) Council Dwellings have been revalued as at 31 March 2021. Classes of assets based on type are re-valued on a five year rolling programme as a minimum. Assets are revalued more regularly where a five yearly valuation is insufficient to keep pace with material changes in fair value.

(b) For details of impairment please see note 7 in the Comprehensive Income and Expenditure Statement Explanatory Notes. The £862,000 net revaluation gain on Other Land & Buildings included a total £1,192,888 revaluation loss due to a fall in value for some assets. £534,299 of this was charged directly to the Revaluation Reserve in 2020/21 offsetting previous upward revaluations.

## 2. HERITAGE ASSETS

In addition to the assets listed above, the Council owns the following heritage assets:

	2019/20		2020/21	
	Number	£'000	Number	£'000
Fountains	1	100	1	100
Sculptures and Statues	9	303	9	303
Works of Art and Murals	11	222	11	222
Civic Regalia	4	169	4	169
Town Gates and War Memorial	2	124	2	124
	<b>27</b>	<b>918</b>	<b>27</b>	<b>918</b>

Heritage assets are reported in the Balance Sheet at their insurance valuation where available. Where no such valuation is available, then historic cost is used in the first instance, otherwise an estimate of the asset's value is made.

The Council owns Woking Palace, a Scheduled Historic Monument. It was the former hunting lodge of King Henry VIII, although now it is mainly a ruin, set within a moated area. There is a small vaulted building which remains, although this is in poor condition. It is not possible to value this asset as the methods, skills and materials to rebuild it no longer exist. Historic cost information is not available as it was originally built 600 years ago and therefore it is not included in the balance sheets at 31 March 2021 or 31 March 2020.

## 3. CAPITAL FINANCING

	2019/20	2020/21
	£'000	£'000
<u>Capital Investment</u>		
Property, Plant and Equipment	35,236	40,682
Investment Properties	45,669	25,520
Intangible Assets	24	39
Revenue Expenditure Funded from Capital under Statute	15,020	25,964
Investments in Group/External Companies - Shares	-11,501	0
	<u>84,448</u>	<u>92,205</u>
Investments in Group Companies - Loans	262,573	256,286
Long Term (LT) Debtors	7,652	803
Refinancing of Long Term Debtors	0	0
	<b><u>354,673</u></b>	<b><u>349,294</u></b>
<u>Sources of Finance</u>		
Capital Grant and Contributions	34,251	18,045
Borrowing - Capital Investment	43,835	67,898
Borrowing - Other	270,224	257,090
Reserves	3,985	3,728
Capital Receipts	2,378	2,533
	<b><u>354,673</u></b>	<b><u>349,294</u></b>

Opening Capital Financing Requirement (excl LT loans)	582,630	620,388
Increase in underlying need to borrow (unsupported by government financial assistance)	43,835	67,898
Minimum revenue provision	-6,077	-6,814
Closing Capital Financing Requirement (excl LT loans)	<u><b>620,388</b></u>	<u><b>681,472</b></u>

#### 4. CAPITAL COMMITMENTS

There were significant commitments for future capital expenditure at 31 March on the following schemes:

	2020 £'000	2021 £'000
Victoria Square	167,210	106,567
Acquisition of Car Park (Victoria Square)	58,000	58,000
Greenfield School	4,600	4,600
Dukes Court Plaza	4,224	0
Woking Cinemas	2,972	0
Victoria Arch and Other Town Centre Integrated Transport\Infrastructure Works	79,958	85,178
The Vyne Surgery Extension	600	717
Sheerwater Dentist Surgery	546	1,742
CCTV Infrastructure Upgrade & Control Room	1,516	1,218
Loan re Wolsey Place		1,850
Woking Shopping Food Court & Vertical Car Park Management System		1,918
New Build Housing		1,756
	<u>32,014</u>	<u>6,416</u>
	<u><b>351,640</b></u>	<u><b>269,962</b></u>

The Council is also committed to providing finance to its Group Companies (the Thamesway Group and Brookwood Cemetery) to support approved Business Plans as reflected in the Council's Investment Programme. This includes the Sheerwater Regeneration scheme.

#### 5. FIXED ASSET VALUATION

The Council's freehold and leasehold properties have been valued on a five year rolling programme. Assets are revalued more regularly where a five yearly valuation is insufficient to keep pace with material changes in value. General Fund asset valuations have been carried out by RICS Registered Valuers (Wilks Head & Eve) reporting to the qualified officers of the Council's Estate Management Section. Valuations for Council Dwelling related assets have been carried out by the Council's Estate Management Section. The latest valuations have been completed at 31 March 2021.

Buildings related plant and machinery is included in the valuation of the relevant buildings.

Properties regarded by the authority as operational have been valued on a Current Value Basis. For specialised properties the current value has been derived using Depreciated Replacement Cost methodology. Where an active market is available for the asset it has been measured at Existing Use Value.

Investment Properties and Assets Held For Sale are valued at Fair Value. 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. In arriving at the fair value of the asset, the highest and best use of the property is deemed to be its current use. IFRS 13 seeks to increase consistency in the valuation process through the fair value hierarchy. There are three levels of categories within this hierarchy:

- Level 1: quoted prices.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The Fair Value valuations carried out in 2020/21 were all at level 2. The typical valuation inputs used were:

- Market Rental and Sale Values
- Yields
- Void and Letting Periods
- Size
- Configuration, proportions and layout
- Location, visibility and access
- Condition
- Lease covenants
- Obsolescence

Assets valued below the following de minimis levels are not included in the balance sheet:

Infrastructure	25,000
Land	5,000
Buildings	10,000
Plant	5,000
Vehicles	5,000
Other Equipment	1,000

## 6. LONG TERM INVESTMENTS

	31 March 2020 £'000	31 March 2021 £'000
<u>Shareholdings in Companies</u>		
Thameswey Limited	31,193	31,193
Woking Necropolis and Mausoleum Limited	6,000	6,000
Woking Town Centre Management	1	1
Victoria Square Woking Limited	14	14
Local Capital Finance Company	50	50
Surrey Save Credit Union	50	50
Kingfield Community Sports Centre	500	500
	<b><u>37,808</u></b>	<b><u>37,808</u></b>

Further information about the Council's group companies and joint ventures is shown on pages 93 - 94.

## 7. LONG-TERM DEBTORS

The Council has granted the following loans to its Group Companies and other organisations. Further details of the Group Company loans made during the year can be found in note 6 to the Comprehensive Income and Expenditure Statement on page 46.

	31 March 2020 £'000	31 March 2021 £'000
Thameswey Energy Limited	12,889	12,607
Thameswey Central Milton Keynes Limited	32,023	33,391
Thameswey Housing Limited	217,483	244,359
Thameswey Housing (Sheerwater)	45,358	70,732
Thameswey Solar Limited	1,158	993
Thameswey Developments (THL)	45,250	47,250
Thameswey Developments (S/W Leisure)	7,100	9,800
Thameswey Developments (Sheerwater)	5,000	5,000
Thameswey Developments (TEL)	6,641	28,735
Rutland Woking Limited	1,665	1,632
Victoria Square Woking Limited	356,425	527,043
Mortgages	1,773	1,869
Peacocks	6,350	6,350
Woking Hospice	9,114	9,706
Greenfield School	6,400	6,400
Byfleet Scouts	100	100
Woking Football Club	75	75
Freedom Leisure	1,490	1,705
Kingfield Community Sports Loan	1,500	1,500
Other Long Term Debtors	129	26
Repayments due within 1 year	-6,746	-54,581
	<u>751,177</u>	<u>954,692</u>

In addition to loans to Group Companies, Long Term Debtors also consists of:

- i) amounts outstanding on mortgages granted for private house purchase and amounts due arising from the sale of Council houses, and
- ii) other deferred debtors in respect of car purchase and other loans to Council employees, and a loan agreement with Woking Hockey Club.

## 9. DEBTORS AND PREPAYMENTS

	31 March 2020 £'000	31 March 2021 £'000
<u>Government</u>		
Other Central Government Bodies	1,946	11,834
Other Local Authorities	0	2,640
<u>Non Government</u>		
Local Tax Payers	1,382	1,830
Housing Rents, Rates & Water	1,549	1,923
Rechargeable Works	139	139
Sundry Debtors	23,051	28,205
Prepayments	1,340	2,026
Accrued Interest on Long Term Debtors	2,500	2,934
Long term Debtors amounts due within 1 year	6,747	54,581
Bad Debt Provision – see below	-3,784	-7,919
	<b><u>34,870</u></b>	<b><u>98,192</u></b>

The Bad Debt Provision was made up of:

	2020 £'000	2021 £'000
Housing Rents	493	803
Other Sundry Debtors	618	3,535
Managing Agents	243	762
Benefits	1,162	1,257
Housing Deposits	441	478
Council Tax	293	219
Business Rates	529	860
Rechargeable Works	5	5
	<b><u>3,784</u></b>	<b><u>7,919</u></b>

## 10. CASH AND CASH EQUIVALENTS

	31 March 2020 £'000	31 March 2021 £'000
Cash	9,011	5,571
Federated Prime Rate Liquidity Fund	10,001	9,000
	<b><u>19,012</u></b>	<b><u>14,571</u></b>

## 11. SHORT TERM INVESTMENTS AND BORROWING

	31 March 2020 £'000	31 March 2021 £'000
<u>Short term borrowing</u>		
North Yorkshire County Council	10,040	0
Oxfordshire County Council	5,010	0
Durham County Council	5,011	0
Nottinhamshire Police & Crime Commissioner	5,011	0
Greater London Authority	30,045	10,018
Shropshire County Council	0	5,028
Derbyshire Cc General	0	30,116
West Yorkshire Combined	0	15,028
Portsmouth City Council	0	15,029
Middlesbrough Council	0	10,014
Wokingham Borough Council	0	10,013
Crawley Borough Council	0	5,007
Hampshire County Council	0	5,007
Gateshead Council	0	5,007
Somerset County Council	0	7,010
Cumbria County Council	0	10,011
London Bororough Of Havering	0	5,006
Spelthorne Borough Council	0	5,006
Bolton Metropolitan B C	0	10,011
Derbyshire Pension Fund	0	30,003
St. Helens M.B.C.	0	10,001
Loans reclassified from long term as due within one year	24,144	11,531
	<u>79,261</u>	<u>198,845</u>
Accrued interest on long term borrowing	7,678	8,362
Amounts held on behalf of Mayors Appeal	14	0
	<u><b>86,953</b></u>	<u><b>207,207</b></u>

## 12. CREDITORS AND RECEIPTS IN ADVANCE

	31 March 2020 £'000	31 March 2021 £'000
<u>Government</u>		
Central Government Bodies	5,222	20,055
Other Local Authorities	1,239	943
<u>Non Government</u>		
Local Tax Payers	901	873
Housing Rents	621	561
Mortgagees	-6	-3
Rechargeable Works	82	82
Sundry Creditors	11,777	13,518
	<u><b>19,836</b></u>	<u><b>36,029</b></u>

### 13. BORROWING REPAYABLE WITHIN A PERIOD IN EXCESS OF 12 MONTHS

The following long-term borrowing was outstanding at 31 March:

Lender	Loan type	Maturity Date	2020 £'000	2021 £'000
- Danske Bank	LOBO (next option at 05/04/2023)*	05/04/2055	5,309	5,307
- Dexia PFB	LOBO (next option at 08/04/2021)*	06/10/2076	5,344	5,343
- Dexia PFB	LOBO (next option at 22/11/2026)*	22/11/2076	5,071	5,070
Accrued Interest			-301	-301
			<u>15,423</u>	<u>15,419</u>
PWLB:	Fixed rate loan - Annuity		829,916	1,016,354
	Fixed rate loan - Maturity		461,065	446,062
Accrued Interest (shown within short term borrowing)			-7,165	-7,848
Loan reclassified from long term to short term as due within one year			-24,144	-11,531
			<u>1,259,672</u>	<u>1,443,037</u>
LB of Hackney	Fixed rate loan	19/11/2021	3,518	3,518
Cornwall Council	Fixed rate loan	04/01/2022	6,019	6,019
Barclays Bank**	Fixed rate loan	31/07/2076	5,040	5,040
Barclays Bank**	Fixed rate loan	31/07/2076	5,040	5,040
Barclays Bank**	Fixed rate loan	05/04/2077	5,096	5,096
Accrued Interest (shown within short term borrowing)			-212	-213
			<u>24,501</u>	<u>24,500</u>
			<u>1,299,596</u>	<u>1,482,956</u>

\*A LOBO is a loan where the lender may exercise an option to vary the interest rate payable at periodic intervals and the borrower has the option at that time to repay the loan.

\*\*Reclassified from LOBOs to market loans effective 28th June 2016.

### 14. CAPITAL GRANTS RECEIPTS IN ADVANCE

Grants and contributions are recognised in the Comprehensive Income and Expenditure Statement on receipt if all relevant conditions have been met. The following grants had been received at the balance sheet date but the conditions had not been met and are therefore shown on the balance sheet as receipts in advance.

	2020 £'000	2021 £'000
Capital grants receivable	29,246	19,459
Use of grant to finance capital expenditure	-29,634	-17,035
Use of grant to finance revenue projects	-1	-23
<b>Total movement on Capital Grants</b>	<u><b>-565</b></u>	<u><b>2,401</b></u>
Balance brought forward at 1 April	14,013	13,624
<b>Balance carried forward at 31 March</b>	<b>13,624</b>	<b>16,025</b>

Of the total grants received in advance, £1,238,819 relates to contributions from developers (£383,632 in 2019/20).

For details of grants received in the year see note 6 to the Cash Flow Statement.

## **15. COLLECTION FUND**

The Collection Fund is a fund managed by the billing authority (Woking Borough Council) to receive Council Tax and Business Rates income. It is also used to pay a share of Council Tax collected to the Borough Council, County Council and Police and Crime Commissioner, and to make payments of Business Rates collected to the Borough Council, County Council and Central Government.

The balance relating to Woking Borough Council is included in the reserves in the Balance Sheet, see Movement in Reserves Statement note 12. The remaining balances relating to Surrey County Council and Surrey Police and Crime Commissioner are included in the relevant creditor/debtor balances in the balance sheet. For further details see notes to the Collection Fund.

## **16. PROVISIONS**

The Council is the subject of claims resulting from charging for personal searches and has made a provision of £22,993 in respect of these potential future liabilities (£22,993 in 2019/20). A provision of £1,486,506 has been made (£2,756,721 in 2019/20) in respect of the Council's share of business rates valuation appeals over which there is uncertainty as they are determined by the Valuation Office (not by the Council).

## **17. CONTINGENT LIABILITIES**

### Municipal Mutual Insurance

Prior to February 1993 the Council secured its insurance arrangements through Municipal Mutual Insurance (MMI). MMI were forced to cease trading in February 1993. Liabilities of MMI are the ultimate responsibility of its members, of which Woking was one.

A review of the potential liabilities was undertaken by MMI's administrators at 31 March 2021. The review identified that the maximum cost for Woking was £544,490 (£544,500 at 31 March 2020).

## **18. THE COUNCIL AS TRUSTEE**

The Recreation Ground Charity, relating to West Byfleet Recreation Ground, was established in 1913. The Council holds the land, which constitutes the total assets of the charity, on trust as trustee in its corporate capacity. The charity had no income or expenditure during the year.

## 19. EVENTS AFTER THE BALANCE SHEET DATE

Events arising after the Balance Sheet date are reflected in the accounts if they provide additional evidence of a condition that existed at the Balance Sheet date and materially affect the accounts. Events which occur after the Balance Sheet date and concern conditions which did not exist at the time are detailed in notes to the accounts.

The presence of the Covid-19 pandemic has caused significant strain on the economy and stringent measures to be taken to subdue the outbreak by policy-makers. We are unable to forecast the financial consequence of this pandemic, as it cannot be quantified at this time.

At 31 July 2021 no relevant non Covid-19-related events had occurred.

## 20. FINANCIAL INSTRUMENT BALANCES

	<u>Long-term</u>		<u>Current</u>	
	31st March 2020	31st March 2021	31st March 2020	31st March 2021
	£'000	£'000	£'000	£'000
<b>Borrowings</b>				
<u>Amortised Cost</u>				
Borrowing	1,358,177	1,528,661	131	187,628
Creditors	0	0	11,859	13,600
	<u>1,358,177</u>	<u>1,528,661</u>	<u>11,990</u>	<u>201,228</u>
<b>Investments</b>				
<u>Amortised Cost</u>				
Cash and Cash Equivalents	0	0	19,012	14,571
Investments	0	0	0	0
Debtors	0	0	23,190	28,344
	<u>0</u>	<u>0</u>	<u>42,202</u>	<u>42,915</u>

## 21. FINANCIAL INSTRUMENTS GAINS/LOSSES

<u>2020/21</u>	<u>Financial Liabilities</u>		<u>Financial Assets</u>		
	Amortised cost	Fair value through I&E/OCI	Amortised cost	Fair value through I&E/OCI	Total
	£'000	£'000	£'000	£'000	
Interest expense	40,878	-	-	-	40,878
<b>Total Expense on the Provision of Services</b>	<u>40,878</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,878</u>
Interest income	-	-	10,953	-	10,953
<b>Total Income in Surplus on the Provision of Services</b>	<u>-</u>	<u>0</u>	<u>10,953</u>	<u>-</u>	<u>10,953</u>
<b>Net gain/(loss) for the year</b>	<u><b>-40,878</b></u>	<u><b>0</b></u>	<u><b>10,953</b></u>	<u><b>-</b></u>	<u><b>-29,925</b></u>

## 22. FINANCIAL INSTRUMENTS GAINS/LOSSES (cont.)

2019/20	Financial Liabilities		Financial Assets		Total
	Amortised cost	Fair value through I&E/OCI	Amortised cost	Fair value through I&E/OCI	
	£'000	£'000	£'000	£'000	
Interest expense	38,167	-	-	-	38,167
Losses on derecognition	-	-	-	-	0
Impairment losses	-	-	-	-	-
<b>Total Expense on the Provision of Services</b>	<b>38,167</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>38,167</b>
Interest income	-	0	10,361	-	10,361
Gains on derecognition	-	-	-	-	-
<b>Total Income in Surplus on the Provision of Services</b>	<b>-</b>	<b>0</b>	<b>10,361</b>	<b>-</b>	<b>10,361</b>
Gains/(Losses) on revaluation	-	-	-	-	-
<b>Surplus/(Deficit) arising on revaluation of financial assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net gain/(loss) for the year</b>	<b>-38,167</b>	<b>0</b>	<b>10,361</b>	<b>-</b>	<b>-27,806</b>

## 23. FAIR VALUE OF ASSETS AND LIABILITIES CARRIED AT AMORTISED COST

The fair values of each class of financial assets and liabilities which are carried in the balance sheet at amortised cost is disclosed below. The fair value of an instrument is determined by calculating the Net Present Value of future cash flows, which provides an estimate of the value of payments in the future in today's terms. The discount rate used in the NPV calculation is the rate applicable in the market on the date of valuation for an instrument with the same structure, terms and remaining duration.

For debt, this will be the new borrowing rate since premature repayment rates include a margin which represents the lender's profit as a result of rescheduling the loan; this is not included in the fair value calculation since any motivation other than securing a fair price should be ignored.

The rates quoted in this valuation were obtained by our treasury management consultants from the market on 31st March, using bid prices where applicable.

The calculations are made with the following assumptions:

- For PWLB debt, the discount rate used is the rate for new borrowing at 31 March 2021.
- For other market debt and investments the discount rate used is the rates available for an instrument with the same terms from a comparable lender.
- Interpolation techniques between available rates where the exact maturity period was not available.
- No early repayment or impairment is recognised.
- Fair values have been calculated for all instruments in the portfolio, but only disclose those which are materially different from the carrying value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

### 23. FAIR VALUE OF ASSETS AND LIABILITIES CARRIED AT AMORTISED COST (cont.)

	31st March 2020		31st March 2021	
	Carrying amount £'000	Fair Value £'000	Carrying amount £'000	Fair Value £'000
PWLB - maturity	461,022	569,240	446,019	598,015
PWLB - annuity	829,856	808,269	1,016,287	1,063,792
LOBOs	15,726	23,704	15,719	26,067
Market Loans	24,676	36,371	24,790	37,288
LEP Loan	0	0		
Short term borrowing	14	14	187,314	187,314
Finance Lease	27,752	31,928	25,667	31,928
Creditors	11,859	11,859	13,600	13,600
<b>Financial Liabilities</b>	<b>1,370,905</b>	<b>1,481,385</b>	<b>1,729,396</b>	<b>1,958,004</b>

Fair value may be higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the rates available for similar loans at the Balance Sheet date. The commitment to pay interest below current market rates reduces the amount that the Council would have to pay if the lender requested or agreed to early repayment of the loans.

	31st March 2020		31st March 2021	
	Carrying amount £'000	Fair Value £'000	Carrying amount £'000	Fair Value £'000
Cash and cash equivalents	19,012	19,012	14,571	14,571
Investments with other local authorities	0	0		
Debtors	23,190	23,190	28,344	28,344
<b>Financial Assets</b>	<b>42,202</b>	<b>42,202</b>	<b>42,915</b>	<b>42,915</b>

The fair value may be higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This guarantee to receive interest above current market rates increases the amount that the authority would receive if it agreed to early repayment of loans.

### 24. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Council's management of treasury risks actively works to minimise the Council's exposure to the unpredictability of financial markets and to protect the financial resources available to fund services. The Council has fully adopted CIPFA's Code of Treasury Management Practices and has written principles for overall risk management as well as written policies and procedures covering specific areas such as credit risk, liquidity risk and market risk.

## Credit Risk

Credit risk arises from the short-term lending of surplus funds to banks, building societies and other local authorities as well as credit exposures to the Council's customers. It is the policy of the Council to place deposits only with a limited number of high quality banks and building societies and to restrict lending to a prudent maximum amount for each institution. The Council's policy limits deposits to a maximum of £4m for local authorities, banks rated AAA (with the exception of Lloyds, the Council's bankers), or Aaa and building societies with gross assets in excess of £1,000m and limits deposits to a maximum of £2m for banks rated AA- or Aa3 and building societies with gross assets between £500m and £1,000m (for further information, see the Council's Treasury Management Strategy).

The following analysis summarises the Council's potential maximum exposure to credit risk, based on past experience and current market conditions. No credit limits were exceeded during the financial year (apart from with the Council's own banker in situations where no suitable counterparties were available) and the Council expects full repayment on the due date of deposits placed with its counterparties.

	Amounts at 31 March 2021 £'000	Historical experience of default %	Historical experience adjusted for market conditions as at 31 March 2020 %	Estimated maximum exposure to default and uncollectability £'000
Deposits with banks and other institutions	14,571	-	-	-
Customers	<u>44,760</u>	6.91	6.91	<u>3,093</u>
	<u>59,331</u>			<u>3,093</u>

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The Council does not generally allow credit for customers. £11,587m of the £12,365m sundry debtor balance is past its due date for payment. The past due amount can be analysed by age as follows, and the bad debt provision takes account of the age of the debt.

	31 March 2020 £'000	31 March 2021 £'000
Less than 3 months	3,576	8,112
3 to 6 months	952	626
6 months to 1 year	601	1,582
More than 1 year	<u>358</u>	<u>1,267</u>
	<u><b>5,487</b></u>	<u><b>11,587</b></u>

The Council has carried out a review of all asset backed loan assets. For each loan that is technically considered to be credit impaired (totalling £9.7m), the terms that are in place and the Expected Credit Loss (ECL) required to be recognised have been considered. For each of the loans, the Authority holds collateral in the form of a property asset. In considering the ECL to be recognised, the value of the property asset has been taken into account and is considered to be sufficient to cover the loan outstanding and any accrued interest. For this reason, no ECL allowance is considered necessary at this time.

### Liquidity Risk

The Council has access to a facility to borrow from the Public Works Loans Board. As a result there is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. The Council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates. The Council's approach is to restrict the number of loans that are due to mature within any financial year through a combination of prudent planning of new loans taken out and, where it is economic to do so, making early repayments.

The maturity structure of financial liabilities is as follows (at nominal value):

	On 31 March 2020 £'000	On 31 March 2021 £'000
Public Works Loans Board	1,283,679	1,454,568
Market debt/LOBOs	94,500	39,500
LEP Loan	0	
Temporary borrowing	14	187,314
Other	0	
	<u>1,378,193</u>	<u>1,681,382</u>
Less than 1 year	73,514	221,814
Between 1 and 2 years	31,000	0
Between 2 and 5 years	9,000	17,000
Between 5 and 10 years	12,103	9,023
More than 10 years	<u>1,252,578</u>	<u>1,433,545</u>
	<u>1,378,195</u>	<u>1,681,382</u>

In the more than 10 years category there are no LOBOs which have a call date in the next 12 months.

### Market Risk

The Council is exposed to interest rate risk in two different ways; the first being the uncertainty of interest paid/received on variable rate instruments, and the second being the effect of fluctuations in interest rates on the fair value of an instrument.

The current interest rate risk for the authority is summarised below:

- Decreases in interest rates will affect interest earned on variable rate investments, potentially reducing income credited to the Comprehensive Income and Expenditure Statement.
- Increases in interest rates will affect interest paid on variable rate borrowings, potentially increasing interest expense charged to the Comprehensive Income and Expenditure Statement.
- The fair value of fixed rate financial assets will fall if interest rates rise. This will not impact on the Balance Sheet for the majority of assets held at amortised cost, but will impact on the disclosure note for fair value. It would have a negative effect on the Balance Sheet for those assets held at fair value in the Balance Sheet, which would also be reflected in the Movement in Reserves Statement.
- The fair value of fixed rate financial liabilities will rise if interest rates fall. This will not impact on the Balance Sheet for the majority of liabilities held at amortised cost, but will impact on the disclosure note for fair value.

The Council has a number of strategies for managing interest rate risk. The Treasury Management Strategy includes an indicator which provides maximum limits for fixed and variable rate interest exposure, at 100% and 70% respectively. During periods of falling interest rates, the drawing of longer term fixed rate borrowing would be postponed. Conversely the expectation of a sharp rise in rates would lead to consideration of long term borrowing while rates were still relatively low, subject to the overall portfolio position.

There is an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to review the budget monthly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

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

	2020 £'000	2021 £'000
Increase in interest payable on variable rate borrowings	0	0
Increase in interest receivable on variable rate investments	<u>16</u>	<u>16</u>
Net increased income in Comprehensive Income and Expenditure Statement	<u>16</u>	<u>16</u>
Share of overall interest cost debited to the HRA	<u>0</u>	<u>0</u>
Decrease in fair value of fixed rate borrowing liabilities	241,672	302,434

No impact on Surplus/Deficit on Provision of Services or other Comprehensive Income and Expenditure. The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

## 25. PRIVATE FINANCE INITIATIVE

For 25 years Kier Partnership Homes will design, build and maintain 224 homes, in return for an agreed unitary charge, after which the assets will revert back to the Council. These homes will be leased for 125 years by the Council to Thames Valley Housing Association ('TVHA'), who will own the tenancies, provide landlord services and account for rental income directly. The Council retains nomination rights over the properties. TVHA has the opportunity to nominate its own tenants following an unsuccessful Council nomination procedure. The fair values of each class of financial assets and liabilities which are carried in the balance sheet at amortised cost are disclosed in note 24. The fair value of an instrument is determined by calculating the Net Present Value of future cash flows, which provides an estimate of the value of payments in the future in today's terms. The discount rate used in the NPV calculation is the rate applicable in the market on the date of valuation for an instrument with the same structure, terms and remaining duration. All of the 224 units were completed and handed over by 31 March 2017.

### a. Assets recognised under the PFI arrangement:

	2019/20 £'000	2020/21 £'000
<b>Cost</b>		
As at 1 April	<u>30,814</u>	<u>30,814</u>
As at 31 March	<u>30,814</u>	<u>30,814</u>
<b>Depreciation</b>		
As at 1 April	1,544	2,154
Charged in year	<u>610</u>	<u>610</u>
As at 31 March	<u>2,154</u>	<u>2,764</u>
<b>Net Book Value</b>		
As at 31 March	28,660	28,050
As at 1 April	29,270	28,660

## 25. PRIVATE FINANCE INITIATIVE (cont.)

### b. Liabilities arising from PFI and similar contracts:

The Council has the following liability resulting from the PFI scheme:

	2019/20	2020/21
	£'000	£'000
As at 1 April	27,752	26,761
Finance lease liability redemption payments during the year	-991	-1,094
As at 31 March	<u>26,761</u>	<u>25,667</u>

### c. Payments to be made under PFI and similar contracts:

The Council was committed at 31 March 2021 to making the following payments under the PFI scheme:

	Repayments of Liability	Interest	Lifecycle replacement costs	TOTAL
	£'000	£'000	£'000	£'000
Due within one year	1,195	1,894	0	3,089
Due within 2-5 years	5,314	6,644	397	12,355
Due within 6-10 years	8,040	5,813	1,590	15,443
Due within 11-15 years	7,728	2,756	4,959	15,443
Due within 16-20 years	3,390	431	4,290	8,111
	<u>25,667</u>	<u>17,538</u>	<u>11,236</u>	<u>54,441</u>

## NOTES TO THE CASH FLOW STATEMENT

The cash flow statement summarises the inflows and outflows of cash arising from revenue and capital transactions between the Council and third parties. Cash and cash equivalents comprise balances in the Council's bank account, money market account and money market funds.

### 1. RECONCILIATION OF NET CASH FLOW FROM OPERATING ACTIVITIES

	2019/20	2020/21	
	£'000	£'000	£'000
Net surplus/(deficit) on the provision of services	-13,629		-47,305
<u>Less</u>			
Depreciation, impairment and amortisation			
- General Fund	3,689	3,882	
- HRA	3,772	<u>3,739</u>	
			7,621
Revaluation gain/loss on Investment Property	19,767		43,575
Reversal of NCA historic losses with subsequent gains	11,268		-549
Capital items charged/(credited) to General Fund Balance	-18,844		5,199
Net increase/(decrease) in other current assets and liabilities	-26,751		1,608
Net increase/(decrease) in Provisions (Long Term Liabilities)	1,591		-1,271
Net charges for retirement benefits in accordance with IAS19	3,183		1,546
Other non-cash items	-10		147
<b>Net cash flow from Operating Activities</b>	<b><u>-15,964</u></b>		<b><u>10,571</u></b>

### 2. MOVEMENT IN CASH RECONCILED TO THE MOVEMENT IN NET DEBT

	£'000
Decrease/(increase) in cash and equivalents for the year	4,441
Cash inflow/(outflow) from the increase/(decrease) in long term debt	170,844
Cash inflow/(outflow) from the increase/(decrease) in temporary debt	132,000
Cash inflow/(outflow) from the (increase)/decrease in liquid resources	<u>0</u>
Change in Net Debt arising from Cashflows	307,285
Change in net debt arising from non-cash items	770
Net debt at 31.3.20	<u>1,367,537</u>
Net debt at 31.3.21	<b><u>1,675,592</u></b>

### 3. FINANCE AND MANAGEMENT OF LIQUID ASSETS RECONCILED TO THE BALANCE SHEET

	As at 31.3.20	Inflows	Outflows	Movement in Non-cash items	As at 31.3.21
	£'000	£'000	£'000	£'000	£'000
Temporary loans	-86,953	-288,000	156,000	11,746	-207,207
Long term loans	-1,299,596	-195,000	24,156	-12,516	-1,482,956
Temporary investments (net)	0	0	0	0	0
Cash	19,012	-4,441	0	0	14,571
	<b><u>-1,367,537</u></b>	<b><u>-487,441</u></b>	<b><u>180,156</u></b>	<b><u>-770</u></b>	<b><u>-1,675,592</u></b>

#### **4. LIQUID ASSETS**

Liquid Assets are deposits of surplus cash for periods of less than one year.

#### **5. SIGNIFICANT CASH TRANSACTIONS DURING THE YEAR**

Long term loans totalling £195 million were raised under the Prudential Code for Local Authority Borrowing to assist in achieving the Council's affordable housing, sustainability and other service priorities (£175 million in 2019/20).

The Council provided loans to its group companies, joint ventures and external organisations of £257 million in 2020/21 (£258 million in 2019/20).

#### **6. INTEREST AND DIVIDENDS**

Interest cash flows contained in the Net surplus/deficit on the provision of services (operating activities) are shown below. There were no dividends paid in 2020/21 or 2019/20. Dividends received are shown below.

	2019/20	2020/21
	£'000	£'000
Interest paid	36,512	39,111
Interest received	22,168	27,591
Dividends received	2,763	-

## HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE ACCOUNT

	2019/20	2020/21
	£'000	£'000
<b>Income</b>		
Dwelling Rents & Service Charges	-17,956	-17,504
Charges for services and facilities	-832	-454
Contribution towards expenditure	-47	-104
<b>TOTAL INCOME</b>	<b>-18,835</b>	<b>-18,062</b>
<b>Expenditure</b>		
Repairs and Maintenance	2,380	2,147
Supervision and Management	5,711	6,256
Rents, Rates, Taxes and other Charges	17	17
Depreciation and impairments of fixed assets	3,772	3,739
Debt Management Costs	30	70
<b>TOTAL EXPENDITURE</b>	<b>11,910</b>	<b>12,229</b>
<b>NET COST OF HRA SERVICES INCLUDED IN THE WHOLE AUTHORITY COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT</b>	<b>-6,925</b>	<b>-5,833</b>
Interest payable and similar charges	4,959	5,153
Amortisation of premiums and discounts	30	16
Interest and investment income	-3	0
Pensions interest cost and expected return on pensions assets (note 7)	240	220
<b>SURPLUS (-) OR DEFICIT FOR THE YEAR ON HRA SERVICES</b>	<b>-1,699</b>	<b>-444</b>

Explanatory notes to the Housing Revenue Account are on pages 76 - 79

## STATEMENT OF MOVEMENT IN THE HOUSING REVENUE ACCOUNT BALANCE

	2019/20 £'000	2020/21 £'000
Surplus (-) or deficit for the year on the HRA income and expenditure account	-1,699	-444
Adjustments between the accounting basis and the funding basis required under regulations (see analysis below)	1,672	1,242
Net increase (-) or decrease before transfers to/from reserves	-27	798
Transfer to or from (-) HIP reserve	24	-633
Increase (-) or decrease in Housing Revenue Account Balance for the Year	-3	165
Balance on Housing Revenue Account brought forward	497	500
<b>Balance on Housing Revenue Account carried forward</b>	<b>500</b>	<b>335</b>

### Adjustments between the accounting basis and the funding basis required under regulations

	2019/20 £'000	2020/21 £'000
<b>Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year</b>		
Capital grants with no outstanding conditions	2,120	1,480
Adjustments made for accumulated absences	-3	-21
Net charges made for retirement benefits in accordance with IAS19	-445	-217
	<u>1,672</u>	<u>1,242</u>

The Housing Revenue Account (HRA) Income and Expenditure Account on page 74 shows the Council's activities during the financial year in line with International Financial Reporting Standards. Certain items are required by statute to either be included or excluded from the Income and Expenditure Account activity before it is charged to the Housing Revenue Account balance. These items are shown in the Statement of Movement in the Housing Revenue Account balance above.

**HOUSING REVENUE ACCOUNT  
EXPLANATORY NOTES**

**1. HOUSING STOCK**

The Council was responsible for the management of 3,338 dwellings (including Shared Ownership properties) at 31 March 2021, as compared with 3,331 at 31 March 2020, made up of:

	2020	2021
Houses	1,660	1,666
Flats (including maisonettes)	1,420	1,420
Bungalows	251	252
<b>TOTAL</b>	<b>3,331</b>	<b>3,338</b>

**2. STOCK VALUES**

	Value @ 31.3.20 £'000	Movement £'000	Value @ 31.3.21 £'000
<u>Operational Assets</u>			
Housing Property	284,201	16,660	300,861
Leasehold Property	1,221	-24	1,197
	285,422	16,636	302,058
<u>Non Operational Assets</u>			
Development Land	6,296	0	6,296
	6,296	0	6,296
<b>TOTAL</b>	<b>291,718</b>	<b>16,636</b>	<b>308,354</b>

The vacant possession value of dwellings within the authority's Housing Revenue Account (HRA) as at 1 April 2021 was £893,749,608 (£844,328,200 at 1 April 2020).

The difference between the vacant possession value and the balance sheet value of dwellings within the HRA shows the economic cost of providing council housing at less than open market rents.

Depreciation charged to the HRA in 2020/21:

	2019/20 £'000	2020/21 £'000
<u>Depreciation</u>		
Dwellings	3,772	3,739
<b>TOTAL</b>	<b>3,772</b>	<b>3,739</b>

### 3. CAPITAL EXPENDITURE

The total capital expenditure on property within the authority's HRA during 2020/21 was £20.4m (2019/20, £10.5m)

	2019/20	2020/21
<u>Capital Expenditure</u>	£'000	£'000
Houses	9,876	20,397
TOTAL	<u>9,876</u>	<u>20,397</u>
<u>Source of Funding</u>	£'000	£'000
Major Repairs Reserve	3,767	3,728
Borrowing	3,095	13,422
HIP Reserve	30	0
Capital Receipts	864	1,767
Section 106	2,120	0
Grant	0	1,480
TOTAL	<u>9,876</u>	<u>20,397</u>

The total capital receipts from disposal of land, houses and other property within the authority's HRA during the year were as follows:

	2019/20	2020/21
	£'000	£'000
Houses	2,424	2,031

### 4. MAJOR REPAIRS RESERVE

Local Authorities are required to establish and maintain a Major Repairs Reserve. The main credit to the reserve is an amount equal to HRA depreciation.

The movement on the Major Repairs Reserve for the financial year was as follows:

	2019/20	2020/21
<u>Major Repairs Reserve</u>	£'000	£'000
Balance @ 1 April	0	5
Expenditure financed from Major Repairs Reserve	-3,767	-3,728
Depreciation transferred from Capital Adjustment Account	3,772	3,739
Balance @ 31 March	<u>5</u>	<u>16</u>

Expenditure from the Reserve is used solely to improve the Council's Housing Stock.

## 5. RENT ARREARS

Rent arrears at 31 March were as follows:-

	<u>2020</u>	<u>2020</u>
	£	£
Current Tenants	716,133	797,165
Former Tenants	357,944	384,640
TOTAL	<u>1,074,077</u>	<u>1,181,805</u>
Arrears as a % of Gross Rent Income	5.72%	6.58%

A provision of £750,688 has been made in respect of uncollectable debts (£492,969 in 2019/20).

## 6. PENSIONS

Working recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against Rents is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the HRA balance.

The transactions set out below have been made in the specified sections of the HRA during the year:

	2019/20	2020/21
	£'000	£'000
Net Cost of Services:		
▪ Service cost	726	603
▪ Past service costs (including curtailments)	10	1
	<u>736</u>	<u>604</u>
Net Operating Expenditure:		
▪ Interest cost	597	527
▪ Expected return on assets in the scheme	-357	-307
	<u>240</u>	<u>220</u>
Net liability on HRA I&E	-976	-824
▪ Employers' contributions payable to scheme	488	564
▪ Contribution in respect of unfunded benefits	43	43
▪ Movement on pensions reserve	-445	-217
	<u>531</u>	<u>607</u>
TOTAL	<u>531</u>	<u>607</u>
<u>Actual amounts charged against rents for pensions in the year</u>		
Employers' contributions payable to scheme	488	564
Contributions in respect of unfunded benefits	43	43
TOTAL	<u>531</u>	<u>607</u>

The employers' contribution payable to the scheme is shown within Supervision and Management. The adjustment of £3,000 represents the difference between the cash contributions payable to the scheme (£607,000) and service costs (£604,000).

**COLLECTION FUND  
INCOME AND EXPENDITURE STATEMENT**

2019/20				2020/21		
Council Tax	Business Rates	Total		Council Tax	Business Rates	Total
£'000	£'000	£'000		£'000	£'000	£'000
81,500	0	81,500	<b>INCOME</b>	83,741	0	83,741
0	47,277	47,277	Council Tax Receivable (Note 1)	0	27,794	27,794
<b>81,500</b>	<b>47,277</b>	<b>128,777</b>	<b>TOTAL INCOME</b>	<b>83,741</b>	<b>27,794</b>	<b>111,535</b>
			<b>EXPENDITURE</b>			
			<u>Apportionment of Previous Year Surplus/(deficit)</u>			
0	-12	-12	Central Government	0	451	451
99	1,885	1,984	Woking Borough Council	29	503	532
588	4,420	5,008	Surrey County Council	177	421	598
99	0	99	Surrey Police and Crime Commissioner	32	0	32
786	6,293	7,079		238	1,375	1,613
			<u>Precepts, Demands and Shares</u>			
0	22,806	22,806	Central Government	0	23,913	23,913
10,035	18,245	28,280	Woking Borough Council	10,236	19,131	29,367
60,063	4,561	64,624	Surrey County Council	62,846	4,783	67,629
10,768	0	10,768	Surrey Police and Crime Commissioner	11,250	0	11,250
80,866	45,612	126,478		84,332	47,827	132,159
			<u>Charges to Collection Fund</u>			
33	644	677	Write Offs / Write Backs (-) of uncollectable amounts	-21	-14	-35
238	419	657	Increase / Decrease (-) in Bad Debt Provision	445	828	1,273
0	3,005	3,005	Increase / Decrease (-) in Provision for Appeals	0	-3,176	-3,176
0	132	132	Cost of Collection	0	130	130
271	4,200	4,471		424	-2,232	-1,808
<b>81,923</b>	<b>56,105</b>	<b>138,028</b>	<b>TOTAL EXPENDITURE</b>	<b>84,994</b>	<b>46,970</b>	<b>131,964</b>
-423	-8,828	-9,251	SURPLUS / DEFICIT (-) ARISING DURING THE YEAR	-1,253	-19,176	-20,429
1,023	6,765	7,788	SURPLUS / DEFICIT (-) B/FWD AT 1ST APRIL	600	-2,063	-1,463
<b>600</b>	<b>-2,063</b>	<b>-1,463</b>	<b>SURPLUS / DEFICIT (-) C/FWD AT 31ST MARCH</b>	<b>-653</b>	<b>-21,239</b>	<b>-21,892</b>

Explanatory notes to the Collection Fund are on pages 81 - 82

## COLLECTION FUND EXPLANATORY NOTES

The Collection Fund is a fund managed by the billing authority (Woking Borough Council) to receive Council Tax and Business Rates income. It is also used to pay a share of Council Tax collected to the Borough Council, County Council and Police and Crime Commissioner, and to make payments of Business Rates collected to the Borough Council, County Council and Central Government.

### 1. YIELD FROM COUNCIL TAX

In order to calculate the total yield from Council Tax in a year it is necessary to convert the number of dwellings in each band to an equivalent number of Band D dwellings. For 2020/21 the following calculation was made:

Band	Number of Chargeable Dwellings	Ratio (Ninths)	Equivalent Number of Band D Dwellings	Estimated Yield at Band D Tax £'000
Band A	266.75	6	177.83	360.55
Band B	2,950.50	7	2,294.83	4,652.74
Band C	9,535.00	8	8,475.56	17,184.11
Band D	11,289.00	9	11,289.00	22,888.33
Band E	5,694.25	11	6,959.64	14,110.60
Band F	3,920.50	13	5,662.94	11,481.55
Band G	4,830.75	15	8,051.25	16,323.83
Band H	718.00	18	1,436.00	2,911.48
			44,347.05	89,913.19
Less allowance for losses on collection, appeals and Council Tax Support			-2,767.26	-5,610.59
Council Tax Base and Expected yield			41,579.79	84,302.60

The actual yield for the year was £83,761,846; the difference of -£541,000 between the actual and the predicted yield can be attributed to variances in the collection rate, discounts and support allowed and changes in property numbers in each Band between the date of estimated yield and the year end.

The Council tax yield of £83.8m is reflected in the Income and Expenditure Account as follows:

	2019/20 £'000	2020/21 £'000
Council tax income	81,500	83,741
Less write offs	-33	21
Yield	81,467	83,762

### 2. CALCULATION OF TAX BASE

The Council Tax tax base is the estimated full year equivalent number of liable dwellings in the area expressed as an equivalent number of Band D dwellings with 2 or more adults. For 2020/21 the Band D equivalent was 44,347.06. This figure was then adjusted for assumed changes during the year for discounts; the outcome of remaining banding appeals; the collection rate and the impact of the Council Tax Support scheme. The affect of applying these assumptions was a tax base of 41,579.79 for the whole of the Borough.

### 3. INCOME FROM BUSINESS RATES

The Council collects non-domestic rates for its area which are based on local rateable values multiplied by a uniform rate (the multiplier) set by the Government.

The total non-domestic rateable value at 12 December 2019 was £115.7 million and the multipliers for the year were:

Non-domestic rating multiplier	0.512	pence
Small business non-domestic rating multiplier	0.499	pence

From 1st April 2013 Business Rates Retention was introduced whereby local authorities retain 50% of the business rates collected for the area (Woking Borough Council (40%); Surrey County Council (10%)) and pay the remaining 50% to central government. In addition the government set a level of business rates funding deemed to be applicable to each area and every Council receives a top-up if business rates collected are below this level, or pays a tariff if business rates collected are above this level. In 2020/21 Woking was part of a Surrey pool with the tariff payment of £16,416,778 being paid to the pool lead authority, Surrey County Council, (to offset against the business rates collected). In 2019-20, Woking Borough Council was not part of a pool and paid a tariff of £16,153,583 to the government. The tariff is contained within the non domestic rates income and expenditure line in the Comprehensive Income and Expenditure Statement (if the council is not part of a pool).

With the introduction of business rates retention, if a local authority increases its business rates base and thereby increases its business rate income it is allowed to retain a proportion of this increased income, whilst paying up to a maximum of 50% across to central government (or the pool lead if the council is part of a pool). This payment where it occurs is known as a levy payment. The Government stated that no local authority will suffer a reduction in business rate income of more than 7.5% of its Business Rates funding baseline. If business rates income falls below this 7.5% level then the Government will make a safety net payment.

A levy of £1,218,296 was due to the pool in 2020/21 and £102,044 was due to the government in respect of 2019/20. The levy for 2020-21 and 2019/20 is contained within the non domestic rates income and expenditure line in the relevant comprehensive income and expenditure statement. This line also contains £502,694 which is the Council's share of prior year surpluses (£1,885,496 was included here in 2019-20 in respect of prior year surpluses, the remainder of which will be settled to the account in future years) and a pooling benefit of £700,000.

#### 4. DISTRIBUTION OF THE COLLECTION FUND BALANCE

The Collection Fund Balance at 31 March 2021 was -£21,892,154 (-£1,462,261 at 31 March 2020). The Council Tax element of this is payable to Woking Borough Council, Surrey County Council and Surrey Police and Crime Commissioner in proportion to their precepts on the Fund. In 2020/21, the Business Rates Deficit is split based on nationally determined percentages between Central Government (50%), Woking Borough Council (40%) and Surrey County Council (10%).

	2019/20 Surplus/ Deficit (-) £	2020/21 Surplus/ Deficit (-) £	Total @ 31 March 2021 £
<u>Council Tax</u>			
Woking Borough Council	44,014	-121,746	-77,732
Surrey County Council	270,238	-754,777	-484,539
Surrey Police and Crime Commissioner	48,376	-139,142	-90,766
	<u>362,628</u>	<u>-1,015,665</u>	<u>-653,037</u>
<u>Business Rates</u>			
Central Government			-10,619,560
Woking Borough Council			-8,495,647
Surrey County Council			-2,123,910
			<u>-21,239,117</u>
Collection Fund Balance			<u><u>-21,892,154</u></u>

## **PENSIONS EXPLANATORY NOTES**

As part of the terms and conditions of employment of its officers and other employees, the authority makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The authority participates in the Local Government Pension Scheme, administered by Surrey County Council. This is a funded defined benefit final salary scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. Woking recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund balance after calculating the surplus/deficit on the Comprehensive Income and Expenditure Statement in the year.

Further information on Pensions is set out in the Statement of Accounting Policies note 12, on page 25 of these accounts.

Additional information relating to pensions can also be found in the Surrey County Council Pension Fund Annual Report which is available on request from Surrey County Council, PO Box 5, County Hall, Kingston-upon-Thames KT1 2EA.

Changes in the Fair Value of Plan Assets, Defined Benefit Obligation and Net Liability for year end 31 March 2021

Period ended 31 March 2021	Assets £'000	Obliga- tions £'000	Net (liability) / asset £'000
Fair value of plan assets	95,646	0	95,646
Present value of funded liabilities	0	159,254	-159,254
Present value of unfunded liabilities	0	4,597	-4,597
Opening position as at 31 March 2020	<u>95,646</u>	<u>163,851</u>	<u>-68,205</u>

Service Cost

Current service cost*	0	4,305	-4,305
Past service cost (including curtailments)	0	4	-4
Total Service Cost	<u>0</u>	<u>4,309</u>	<u>-4,309</u>

Net interest

Interest income on plan assets	2,193	0	2,193
Interest cost on defined benefit obligation	0	3,761	-3,761
Total net interest	<u>2,193</u>	<u>3,761</u>	<u>-1,568</u>
Total defined benefit cost recognised in Profit or (Loss)	<u>2,193</u>	<u>8,070</u>	<u>-5,877</u>

Cashflows

Participants' contributions	900	900	0
Employer contributions	4,027	0	4,027
Estimated benefits paid	-5,373	-5,373	0
Estimated unfunded benefits paid	-304	-304	0
Estimated contributions in respect of unfunded benefits paid	304	0	304
Expected closing position	<u>97,393</u>	<u>167,144</u>	<u>-69,751</u>

Remeasurements

Changes in financial assumptions		38,025	-38,025
Changes in demographic assumptions		2,104	-2,104
Other experience		-1,574	1,574
Return on assets excluding amounts included in net interest	26,089		26,089
Changes in asset ceiling			0
Total remeasurements recognised in Other Comprehensive Income	<u>26,089</u>	<u>38,555</u>	<u>-12,466</u>

Fair value of plan assets	123,482	0	123,482
Present value of funded liabilities	0	200,797	-200,797
Present value of unfunded liabilities**	0	4,902	-4,902
Closing position as at 31 March 2021	<u>123,482</u>	<u>205,699</u>	<u>-82,217</u>

Please note the Employer's fair value of plan assets is approximately 3% of the Fund's total.

It is estimated that the present value of funded liabilities comprises of approximately £77,700,000, £40,559,000 and £82,538,000 in respect of employee members, deferred pensioners and pensioners respectively as at 31 March 2021.

\* The current service cost includes an allowance for administration expenses of 0.3% of payroll.

\*\*The unfunded liabilities comprise of £4,902,000 in respect of LPGS unfunded pensions.

Changes in the Fair Value of Plan Assets, Defined Benefit Obligation and Net Liability for year end 31 March 2020

Period ended 31 March 2020

	Assets	Obliga- tions	Net (liability) / asset
	£'000	£'000	£'000
Fair Value of plan assets	106,482	0	106,482
Present value of liabilities	0	171,978	-171,978
Present value of unfunded liabilities	0	5,251	-5,251
Opening position as at 31 March 2019	<u>106,482</u>	<u>177,229</u>	<u>-70,747</u>

Service Cost

Current service cost*	0	5,187	-5,187
Past service cost (including curtailments)	0	71	-71
Total Service Cost	<u>0</u>	<u>5,258</u>	<u>-5,258</u>

Net interest

Interest income on plan assets	2,547	0	2,547
Interest cost on defined benefit obligation	0	4,266	-4,266
Total net interest	<u>2,547</u>	<u>4,266</u>	<u>-1,719</u>
Total defined benefit cost recognised in Profit or (Loss)	<u>2,547</u>	<u>9,524</u>	<u>-6,977</u>

Cashflows

Participants' contributions	827	827	0
Employer contributions	3,486	0	3,486
Estimated benefits paid	-5,457	-5,457	0
Estimated unfunded benefits paid	-308	-308	0
Estimated contributions in respect of unfunded benefits paid	308	0	308
Expected closing position	<u>107,885</u>	<u>181,815</u>	<u>-73,930</u>

Remeasurements

Changes in financial assumptions	0	-12,373	12,373
Changes in demographic assumptions	0	-3,989	3,989
Other experience	0	-1,602	1,602
Return on assets excluding amounts included in net interest	-12,239	0	-12,239
Total remeasurements recognised in Other Comprehensive Income	<u>-12,239</u>	<u>-17,964</u>	<u>5,725</u>

Fair value of plan assets	95,646	0	95,646
Present value of funded liabilities	0	159,254	-159,254
Present value of unfunded liabilities	0	4,597	-4,597
Closing position as at 31 March 2020	<u>95,646</u>	<u>163,851</u>	<u>-68,205</u>

\* The current service cost allows an allowance for administration expenses of 0.3% of payroll.

## Fair value of plan assets

The below asset values are at bid value as required under IAS19.

### Assets

Asset category	Period Ended 31 March 2020				Period Ended 31 March 2021			
	Quoted prices in active markets	Quoted prices not in active markets	Total	Percentage of Total Assets	Quoted prices in active markets	Quoted prices not in active markets	Total	Percentage of Total Assets
	£'000	£'000	£'000	%	£'000	£'000	£'000	%
Equity Securities:								
Consumer	2,729.2	-	2,729.2	3%	2,674.7	-	2,674.7	2%
Manufacturing	2,037.1	-	2,037.1	2%	1,347.0	-	1,347.0	1%
Energy and Utilities	740.3	-	740.3	1%	260.1	-	260.1	0%
Financial Institutions	1,610.7	-	1,610.7	2%	1,609.1	-	1,609.1	1%
Health and Care	1,647.2	-	1,647.2	2%	1,131.6	-	1,131.6	1%
Information Technology	3,121.9	-	3,121.9	3%	3,737.8	-	3,737.8	3%
Other	54.3	-	54.3	0%	0.0	-	0.0	0%
Debt Securities:								
UK Government	-	5,408	5,408.1	6%	-	5,723	5,723.1	5%
Other	-	-	0.0	0%	-	-	0.0	0%
Private Equity:				0%				
All	-	7,652.2	7,652.2	8%	-	8,470.7	8,470.7	7%
Real Estate:				0%				
UK Property	1,655.5	3,131.6	4,787.1	5%	1,767.5	2,709.3	4,476.8	4%
Overseas Property	-	2,101.6	2,101.6	2%	-	2,181.0	2,181.0	2%
Invest Funds and Unit Trusts:				0%				
Equities	50,328.2	-	50,328.2	53%	73,109.4	-	73,109.4	59%
Bonds	11,132.4	-	11,132.4	12%	15,573.2	-	15,573.2	13%
Other	-	-	0.0	0%	-	-	0.0	0%
Derivatives:				0%				
Interest Rate	-	-	0.0	0%	-	-	0.0	0%
Foreign Exchange	-961.3	-	-961.3	-1%	377.0	-	377.0	0%
Cash and Cash Equivalents:				0%				
All	3,257.0	-	3,257.0	3%	2,810.5	-	2,810.5	2%
Totals	77,353	18,294	95,646	100%	104,398	19,084	123,482	100%

### Investment returns

The return on the Fund in market value terms for the period to 31 March 2021 is based on actual Fund returns as provided by Surrey County Council. Details are given below:

Actual Returns from 1 April 2020 to 31 March 2021 (-10.7% in 2019/20)	29.6%
Total Returns from 1 April 2020 to 31 March 2021 (-10.7% in 2019/20)	29.6%

The liabilities show the underlying commitments that the authority has in the long-run to pay retirement benefits. The total liability of £82,217,000 has a substantial impact on the net worth of the authority as recorded in the balance sheet.

However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy: the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The County Council Fund liabilities have been assessed by Hymans Robertson.

The projected unit method is a valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- (a) the benefits for pensioners and deferred pensioners and their dependants, allowing where appropriate for future increases, and
- (b) the accrued benefits for members in service on the valuation date.

The main assumptions used in their calculations have been:

<u>Financial Assumptions</u>	31 March 2020 % p.a.	31 March 2021 % p.a.
Pension Increase Rate (CPI)	1.90%	2.85%
Salary Increase Rate	2.80%	3.75%
Discount Rate	2.30%	2.00%

### Mortality

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2020 model, with a 0% weighting of 2020 data, standard smoothing (Sk7), initial adjustment of 0.5% and a long term rate of improvement of 1.5% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	22.3 years	24.7 years
Future Pensioners*	23.4 years	26.4 years

\* Figures assume members aged 45 as at the last formal valuation date.

### Historic mortality

Life expectancies for the prior period end are based on the Fund's VitaCurves. The allowance for future life expectancies are shown below:

Period Ended	Prospective Pensioners	Pensioners
31 March 2020	Vita Curves with improvements in line with the CMI 2018 model assuming long term rates of improvement 1.25% p.a.	CMI 2013 model assuming the current rate of improvements has peaked and will converge to a long term rate of 1.25% p.a.

Please note that the mortality assumptions used to value the Obligations in the Employer's Closing Position are different to those used to value Obligations in the Employer's Opening Position.

### Commutation

An allowance is included for future retirements to elect to take 25% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 63% of the maximum tax-free cash for post-April 2008 service.

### Sensitivity Analysis

IAS19 requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Change in assumptions at year ended 31 March 2021	Approximate % increase to Defined Benefit Obligation	Approximate monetary amount
	%	£'000
0.5% decrease in Real Discount Rate	9%	18,313
0.5% increase in the Salary Increase Rate	1%	1,307
0.5% increase in the Pension Increase Rate (CPI)	8%	16,653

It has been estimated that a one year increase in life expectancy would approximately increase the Employer's Defined Benefit Obligation by around 3-5%.

### Asset and liability matching strategy

The Surrey County Council Pension Fund's Statement of Investment Principles sets out the Fund's investment strategy to meet the payment of pensions over the life of the Fund, i.e., to be at or above a 100% funding level. The funding level as at the 31 March 2019 valuation necessitates an investment strategy that is expected to provide long term investment returns in excess of the anticipated rise in liabilities. As such the Fund does not have an explicit asset and liability matching strategy but the consideration of liabilities is of principal importance for determining the investment strategy.

The Fund holds assets that are highly correlated with the movement in valuation of fund liabilities, including fixed rate and index-linked gilts, as well as absolute return investments that seek to generate positive returns regardless of market conditions.

Investment risk is monitored regularly both in absolute terms and relative to the Fund's liabilities, with regular scrutiny by the Surrey Pension Fund Board and its external advisors.

The actuary estimates Employer's contributions for the year to 31 March 2022 will be approximately £4,006,000.

## ANNUAL GOVERNANCE STATEMENT 2020/21

### 1. Scope of Responsibility

Woking Borough Council (The Authority) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

The Authority 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.

In discharging this overall responsibility, the Authority is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk and the system of internal control.

The Authority has approved and adopted arrangements for corporate governance, which are consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. The framework consists of 7 core principles each with sub principles. These are considered in more detail in section 4.

This statement explains how the Authority meets the requirements of Accounts and Audit (England) Regulations 2015, regulation 6(1)(a), which requires all relevant bodies to conduct a review at least once in a year of the effectiveness of its system of internal control and include a statement reporting on the review with any published Statement of Accounts. This Statement is prepared in accordance with proper practices in relation to accounts.

### 2. The purpose of the governance framework

Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved. To deliver good governance in the public sector, governing bodies and individuals working for public sector entities must try to achieve their entity's objectives while acting in the public interest at all times.

The governance framework comprises the systems and processes, culture and values, by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The quality of governance arrangements underpins the levels of trust in public services and is therefore fundamental to the Authority's relationship to customers and residents. Trust in public services is also influenced by the quality of services received and also by how open and honest an Authority is about its activities.

A framework for the implementation of good governance allows the Authority to be clear about its approach to discharging its responsibilities and to promote this internally, to officers and members and externally to partners, stakeholders and residents.

The arrangements required for gathering assurances for the preparation of the Annual Governance Statement provide an opportunity for the Authority to consider the robustness of the governance arrangements in place and to consider this as a corporate issue that affects all parts of the Authority. It also helps to highlight those areas where improvement is required which are contained in the improvement plan.

The governance framework has been in place at the Authority for the year ended 31 March 2021 and up to the date of approval of the annual report and statement of accounts.

The key elements of the systems and processes that comprise the Authority's governance arrangements are documented in a detailed supporting analysis. The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework.

The review of effectiveness is informed by the work of the Corporate Leadership Team and Senior Managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's Annual Report, and by comments made by the external auditors and other review agencies and inspectorates. The Corporate Leadership Team review the arrangements and provide an assurance that the Authority is operating within local and statutory frameworks and have approved this statement.

### **3. Covid-19**

The national lockdown as a result of the Coronavirus pandemic in March 2020 required the Council to review the governance framework in particular in the context of remote working.

The government enacted the Coronavirus Act 2020 and issued two regulations relevant to the Council; one to cancel elections until May 2021 and the other to change meeting arrangements to enable virtual meetings.

In April 2020 an Addendum to the Constitution was agreed by the Group Leaders. This covered the arrangements for virtual meetings including:

- Papers for meetings published electronically;
- Speaking arrangements and time limits;
- Voting;
- Timescales for Questions to Council and Answers; and
- Public Speaking at Planning Committee

As a result of the cancellation of elections, all appointments remained in place for a further year, this applied to membership and roles of the Executive, Committees, Task Groups and Working Groups, as well as all appointments to external bodies. The Mayor and Deputy Mayor also remained in office for another year.

The Borough Emergency Control Centre was set up to manage the Council's response to the pandemic and was in place throughout 2020/21.

Since May 2021 the government no longer allows virtual meetings and Council, Executive and other Committees have returned to the Council Chamber with appropriate social distancing measures in place. Task Groups and Working Groups continue to be held virtually.

#### **4. The Governance Framework**

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

There is a comprehensive staff handbook and Behaviour and Skills Framework setting out the Authority's expectations regarding behaviour and the procedures for non-compliance. Staff are made aware, through induction and the performance management framework, of the Authority's expectations in terms of standards of behaviour and compliance with agreed policies and codes of conduct.

The Council has a Code of Conduct for Employees. During the year an Officer Conflicts of Interest Protocol was introduced which brings together controls on Officers' conflicts of interest contained in the Local Government Act 1972, Officer Employment Rules and the Code of Conduct. There is also a Members' Code of Conduct which sets out the standards of behaviour to be followed by Members. Both codes take into account 'The Seven Principles of Public Life' which are included in the Localism Act 2011. The principles are: selflessness, integrity, objectivity, accountability, openness, honesty and leadership.

In April 2021 the Council adopted the Local Government Association's Model Code of Conduct as revised during the year. The Code applies to all means of communications, including the use of social media. The most significant change to the Code was the extension of the disclosure of pecuniary interests to cover unpaid directorships. The change had implications for Woking Borough Council Members appointed to Council-owned companies. In order to avoid such members being prevented from participating fully in Council business, it was proposed that a dispensation would be made for those Members, the details to be recorded in the Register of Members Interests which was open for inspection.

The Authority is clear about its leadership responsibilities for services, whether provided directly, through partners or third parties. We work closely with partners and influence third parties to make sure they deliver to agreed levels of quality and are accountable for what they do.

We have a clear commitment to ensure services deliver an appropriate combination of quality, value and choice to the community.

There is a complaints procedure which provides for a response from the service manager and allows for the complainant to appeal. Complainants are advised of their right to refer the matter to the Local Government Ombudsman, Housing Ombudsman or Information Commissioner as appropriate. This is publicised in the offices and on the Council website.

Complaints submitted under the Members Code of Conduct are reported to the Standards and Audit Committee which also receives regular reports on complaints which have been referred to the Ombudsman. There is a protocol for dealing with complaints made by Members against other Members.

A report on complaints received by the Council is received by the Overview and Scrutiny Committee.

The Scheme of Delegation within the Constitution requires Members and Officers to ensure that all decisions are compliant with policies, procedures, laws and regulations. The key documents within the Governance and Policy Framework are maintained and regularly reviewed including the Constitution itself.

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

The Council's Vision and Values have been developed with the three pillars of People Place and Us to provide clarity on the role and priorities of the Authority in relation to its residents and partners/stakeholders.

In February 2021 the Council adopted a Corporate Plan for 2021/22 and will develop a 5 year Corporate Strategy for 2022-2027 following engagement with residents during 2021.

The Constitution clearly defines the purpose of community leadership, effective scrutiny, and public accountability in terms of roles and responsibilities and functions. The Authority is committed to openness and acting in the public interest.

Woking Joint Committee is a committee between Woking Borough Council and Surrey County Council and makes decisions on certain services, monitors the effectiveness of public services, partnerships and joint initiatives. Local people are encouraged to take part. Members represent the Authority working formally and informally with voluntary groups.

The Council is the ultimate decision-making body and the principal forum for political debate. The Council sets the Policies and Strategies for the Authority and appoints the Leader of the Council, who then determines the appointment of the Deputy Leader and the members of the Executive.

The Executive acts within the approved policy framework and budget and leads preparation of new policies and budget. Each member of the Executive has a portfolio of work for which they take responsibility. The Authority also has an Overview and Scrutiny Committee reviewing Executive decisions, Council Services and other services in the Borough that affect the community of Woking. The other responsibilities of the Authority are discharged through its non-executive committees and the Standards and Audit Committee.

A confidentiality protocol was adopted by the Council in October 2020. This covers occasions where the Council is involved in a transaction which would require confidentiality in order to protect the interests of the Council or the party the Council is dealing with. The protocol also introduced new arrangements for recording and reviewing any confidentiality clauses within contracts, and non-disclosure agreements.

In July 2019 the Council established the Governance Review Task Group. This group is reviewing the governance and committee structure at the Council and whether it would be beneficial to change the existing governance structure.

Formal meetings of the Council, Executive, Overview and Scrutiny, Planning, Licensing and Standards and Audit Committees are webcast and recordings are available afterwards to view through the website.

The Constitution provides for members of the public to ask questions of the Executive at the Executive meeting. Petitions may also be put to the Council with the Constitution setting out how these are considered depending on the number of signatures. Members of the public may also ask questions at the Joint Committee.

Public consultations have been undertaken on specific matters affecting the community. The Council is committed to enhancing public engagement and has launched a new residents' panel which will help shape the Borough's future, by acting as a sounding board for future initiatives. The new Community Forum technology introduced in June 2021 will facilitate engagement and a wide range of consultations during 2021.

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

The Council adopted a Corporate Plan in February 2021 which reflects the key priorities and strategies already in place:

The Core Strategy, adopted in October 2012, sets out the vision for Woking to 2027. The strategy has been communicated widely internally to local partners and to the wider community through interest groups. It is also available on our website.

The Authority's Climate Change Strategy, Woking 2050, balances our environmental aspirations with the Borough's needs for development and economic prosperity. The aim of the strategy is to coordinate a wide range of objectives which can be used by the Council and Woking's residents, businesses, community groups and others to reduce the Borough's impact on the environment.

The Authority has also prepared Natural Woking, a biodiversity and green infrastructure strategy for the area. This seeks positive outcomes for habitats and people, by enhancing provision and accessibility to green spaces; conserving appropriate existing biodiversity and habitats; and creating opportunities for species to return to the Borough.

The Economic Development Strategy was approved by Council in April 2017 and covers the period to 2022 while considering the vision to 2050. The Strategy's objectives are to encourage business development growth and inward investment in the Borough. Additionally, the Strategy supports the creation of jobs, stimulating the economy, as well as generating income for the Council (to support service provision). A Framework for Recovery in response to the pandemic was approved and implemented in 2020 and an update against the agreed action plan reported in March 2021.

The Council approved the Homelessness and Rough Sleeping Strategy in February 2021 following consultation during the year. Consultation on the Housing Strategy has been completed during May and June 2021 and the final Strategy, reflecting direction and priorities for the future, will be adopted by Council during 2021/22.

Capital and Investment and Treasury Management Strategies are approved annually. These provide details on the overall approach to the capital programme including explaining the purpose of the Council investment.

The Council is undertaking a programme of engagement with residents and stakeholders during 2021/22 to establish the Corporate Strategy for 2022-2027.

The Authority has been able to protect services in recent years, seeking to achieve efficiencies and increase income generation where there have been budget pressures. In the post-lockdown economic environment it will be necessary to revisit this strategy and explore operational efficiencies, learning from others and embracing digital innovation wherever possible. The Corporate Strategy will identify priority areas to align resources and service focus.

The Performance Framework is owned by Members and officers. The content is communicated to a wide audience in order to ensure that these key priorities are understood and translated into operational outcomes, and it is available via the Authority's website.

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

A Medium Term Financial Strategy (MTFS) is prepared on at least an annual basis and updated as circumstances change. It is linked to the annual budget and service strategies. During 2020/21 the focus of the Council was in supporting the community in response to the pandemic.

The MTFS was updated in March 2021 and recognised that the Covid-19 crisis has caused significant financial uncertainty. During 2021/22 there will be regular detailed reporting of the strategy to establish a sustainable future plan

Annual Service planning is closely aligned to the budgeting process and identifies service developments and the associated financial impacts. Key performance indicators are set and monitored during the year.

The Authority is proactive in working together with partners and considering the most effective way for services to be provided within the community, whether that be by the Council direct or through third parties.

## **Principle E – Developing the entity’s capacity, including the capability of its leadership and the individuals within it**

The Performance and Development Review process is embedded in the Authority with annual assessments completed by all officers. The process incorporates the Council’s Behaviour and Skills framework and helps to determine the Learning and Development programme.

The Authority was assessed by Investors in People during 2019/20. The Authority retained an accreditation at the ‘Silver’ level and also received the Health and Wellbeing Good Practice Award.

A programme of management development was introduced following the 2015 Peer Review to support future leaders and succession planning. This programme continued to be extended to further staff during 2020/21.

There is a comprehensive training programme for Members. The Council’s commitment to Member development was first comprehensively assessed by South East Employers in 2008. Since then Woking has successfully maintained Charter status for Elected Member Development, achieving reaccreditation every three years. The Council was assessed for reaccreditation in 2018 and was again awarded the Charter.

The Council reviews its programme for Member Development annually and has developed a comprehensive learning and Development Framework together with the Roles and Responsibilities of Elected Members. The programme includes Mandatory Member training.

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

The system of internal control is a part of the governance framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to

identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

Formal Risk Management arrangements provide for risk identification, analysis, ownership and mitigating actions. An annual risk report is provided to the Executive. The Corporate Leadership Team review the Strategic Risk Register. Committee reports identify and quantify risks associated with a proposal. The system of internal financial control is based upon a framework of comprehensive financial regulations and procedures (within the Constitution), which comply with the CIPFA "Good Practice Guide for Financial Regulations in a modern English Council". Control is maintained through regular management information, management supervision, and a structure of delegation and accountability. The Council has an anti-fraud and corruption policy and whistle blowing policy which are updated and promoted internally regularly.

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

The Authority annually reviews the effectiveness of its governance framework including the system of internal control. The review is informed by the managers who have responsibility for the development and maintenance of the governance processes, Internal Audit reviews and by comments made by the external auditor and other review agencies and inspectorates.

In November 2019 the Council invited the Local Government Association (LGA) to undertake a Corporate Peer Challenge to assess progress since the 2015 review. The LGA made a series of recommendations and the Council's proposals to address these were considered by the Overview and Scrutiny Committee and the Executive in July 2020.

The Council also engaged independent external support to review the processes and actions relating to the Woking Football Club and Associated Developments project. The resulting recommendations were all accepted by the Council and their implementation is being monitored.

The Council's Internal Audit Service carries out a programme of independent reviews. Their work is based around the core risks faced by the Council and includes work on financial and non-financial systems, corporate programmes and partnerships. This includes adherence to established policies, procedures, laws and regulations.

These findings are brought together within this Annual Governance Statement and are reported annually to the Standards and Audit Committee which undertakes the functions of an audit committee, as identified in CIPFA's *Audit Committee – Practical Guidance for Local Authorities* and has responsibility for receipt of the Annual Governance Statement.

The Overview and Scrutiny function provides the scope to focus on issues that have the widest impact on the community and not just services directly provided by the Authority.

Monthly performance and financial monitoring information is published, including details on treasury management and group company activities.

Accessible data is available online where detailed information is published in accordance with transparency requirements.

## 5. Roles and Responsibilities

The Authority has approved a Constitution which defines and documents the roles and responsibilities of the Authority, Executive, Overview and Scrutiny and officer functions, with clear delegation arrangements and protocols for decision making and communication and codes of conduct defining the standards of behaviour for Members and staff. Delegations are recorded in accordance with the relevant Regulations.

The Thamesway Group of companies has been established by the Authority to assist in the delivery of the Council's strategic objectives with a view to securing benefits for the residents of the Borough. The Council, and the Boards of the Thamesway group of companies, have approved a set of protocols designed to make the activities of the companies open and transparent in the context of the commercial environment in which the companies operate.

In July 2020 the Council adopted a Standards Protocol covering Members' access to confidential information of Council-owned companies. The protocol, which is subject to the Members' Code of Conduct, enables all Members to receive information produced by the Thamesway Group.

Independent Directors play a key role in the Governance of the Companies. Recognising the high level of activity and increasing scale of the business, the Council approved an increase in the number of Independent Directors and formalised the period of service having regard to best practice.

The Group Business Plans are approved by the Council annually. Group Company information is included in the monthly performance and financial monitoring information (Green Book).

The senior management of the Authority is structured to provide clear responsibility and accountability at both strategic (Corporate Leadership Team, CLT) and operational (Senior Manager) levels. The structure reflects the Authority's values and approach with management and services grouped by 'People', 'Place' and 'Us'.

The CLT during 2020/21 comprised the Chief Executive, Deputy Chief Executive, Director of Housing, Director of Neighbourhood Services, Director of Community Services, Finance Director (nominated in accordance with Section 151 of the Local Government Act 1972) and the Director of Democratic and Legal Services. Each had allocated responsibilities to ensure a clear chain for decision-making and actions to implement those responsibilities. The Chief Executive is the Head of Paid Service under the terms of the Local Government & Housing Act 1989. The Director of Democratic and Legal Services is the designated Monitoring Officer and is responsible for ensuring that the Authority acts in accordance with the Constitution.

The former Chief Executive and Deputy Chief Executive retired on 31 March 2021 and were replaced in April 2021 by the current Chief Executive and new Director of Planning, following an extensive recruitment exercise. The Director of Community Services role is currently vacant and being covered by other members of the CLT.

The Head of Internal Audit, provided through a framework contract with Mazars, has direct access to the Finance Director, to the Chief Executive, other CLT members and reports to Members through the Standards and Audit Committee. These arrangements are in accordance with CIPFA guidance in their publications 'Role of the Chief Financial Officer' and 'Role of the Head of Internal Audit'.

## 6. Significant Governance Issues

In formulating this year's Governance Statement a range of evidence has been reviewed including Statements from senior managers and Internal Audit reviews. To avoid duplication such findings are not noted in this statement other than where their implications could affect the overall effectiveness of the Authority's governance procedures and require action under the Governance Plan.

The following areas have been identified as areas for improvement in the Governance Plan and need further action in order to ensure governance arrangements remain robust for the future:

- (i) **Corporate Strategy**  
Prepare a 5 year plan covering 2022-2027 defining the Council's core vision and informing service delivery
- (ii) **Community Engagement**  
Strengthen community engagement by the introduction of new online civic space and launch of a new residents' panel
- (iii) **Follow up actions from external reviews**  
Work on the areas of improvement identified by the November 2019 Peer Review and Independent review into the Woking Football Club and Associated Developments
- (iv) **CIPFA Financial Management Code**  
Ensure that the Council's governance arrangements comply with the Financial Management Code which has been published by The Chartered Institute of Public Finance Accountants (CIPFA).

## 7. Conclusion

We are satisfied that the Authority has in place the necessary practices and procedures for a comprehensive governance framework, the governance arrangements provide assurance that intended outcomes will be achieved, and remain fit for purpose. The actions above will deliver further improvements and we will continue to monitor, evaluate and report on progress as part of our next annual review.

Leader of the Council  
Cllr A Azad  
Date

Chief Executive  
J Fisher  
Date