WOKING BOROUGH COUNCIL

STATEMENT OF ACCOUNTS 2023/24

DRAFT – SUBJECT TO EXTERNAL AUDIT

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EXPLANATORY FOREWORD

Introduction and Context of Government Intervention

These Statement of Accounts for the year ended 31 March 2024 incorporate information on the significant events that occurred during 2023, including the Government's intervention, the issue of a Section 114 report, and re-valuation of historic investments.

On 25 May 2023, under the 1972 Local Government Act, the Ministry of Housing, Communities and Local Government (MHCLG then known as Department for Levelling Up, Housing & Communities, or DLUHC) published the outcome of its non-statutory external assurance review into Woking Borough Council's (WBC) finances, investments, and related governance. The Secretary of State found that WBC was failing to comply with its best value duty under the Local Government Act 1999. It highlighted the scale of financial and commercial risk due to WBC's legacy of disproportionately high levels of debt at over £2 billion. This then led to the appointment of central Government Commissioners for a period of up to five years, to oversee an Improvement and Recovery Plan, first published in August 2023.

On 7 June 2023, the then Section 151 Officer issued WBC with a Section 114 report. The report was required because WBC's expenditure was likely to exceed the financial resources available, and therefore it could no longer balance its budget for the remainder of the financial year and subsequent years. The serious financial shortfall was a direct result of WBC's historic investment strategy that had incurred unaffordable borrowing, inadequate steps to repay that borrowing, and high values of irrecoverable loans. The S114 report stated that against available core funding of £16 million in the 2023/24 financial year (£19 million in 2024/25), WBC faced a deficit of £1.2 billion, which included two key elements: the cost of impaired loans to its own companies (c.£614 million) and the need to make backdated provision in its revenue account for the repayment of debt and write-off of some loans.

The size and scale of the historic debt prevented a legal budget being set for 2024/25 without support from Government. To access that support, WBC had to show that it was working towards 'living within its means' and taking steps to meet a significant part of the deficit from its own resources. This was demonstrated by the agreement to £8.4 million of savings on its service budgets at Council on 8 February 2024 and setting a Council Tax increase of 9.99% in March 2024 under instruction from Central Government as part of the Exceptional Financial Support arrangements.

There remains an imperative to reduce the level of debt and WBC is progressing its Asset Rationalisation Plan and Debt Reduction Plan for the property/investment portfolio, in a way that delivers best returns for the public purse, allowing key services to be maintained and reducing the cost of debt servicing.

Exceptional Financial Support / Capitalisation Directive

The Council applied for a Capitalisation Direction (CD) in January 2024 from the Ministry of Housing, Communities and Local Government (then known as DLUHC), as part of the package of Exceptional Financial Support that has enabled the Council to remain solvent.

A CD allows expenditure that would otherwise be charged to revenue to be capitalised.

The budgeted CD for 2023/24 totalled £235.1m and was anticipated to cover losses including a £155m write-off of loans that had previously been advanced to subsidiary companies for revenue purposes, £58.6m of interest income that subsidiary companies have been unable to pay to the Council, and £5.8m to rectify overstated past recharges to the Housing Revenue Account. These sums are detailed in the following table:

	2023/24 CD £'000	2023/24 Outturn £'000
Impairement of revenue loan advance	155,000	155,000
Reversal of interest income accrued in 2022/23	12,800	12,800
Loss of interest from companies in 2023/24	44,000	42,671
Interest on loans to complete VSWL and Sheerwater Projects	2,000	2,000
Reversal of overstated recharges to the HRA	5,800	5,800
2023/24 Overspend	8,700	5,844
Opening 2023/24 Reserve Deficit	6,800	-16,117
Total	235,100	207,998

In accordance with proper accounting practices, the final outturn CD totalled £208m and has been charged to the Comprehensive Income and Expenditure Statement (CIES) and appropriated to the Capital Adjustment Account through the Movement in Reserves Statement (MIRS).

Further detail on the Capitalisation Directive is set out within the Statement of Accounts disclosure note ‘Material Items of Income and Expense’.

Impairment of Shareholdings and Loan Advancements to Subsidiary Companies.

Since the S114 report, valuations of the Council’s shareholdings and loans to its subsidiary companies – Victoria Square Woking Ltd (VSWL) and Thameswey groups – have been brought up-to-date as part of the work in preparing these 2023/24 accounts.

At 31 March 2023, the Council had held on its balance sheet £1.33 billion of loans and £31.2 million of share investments in its subsidiaries.

During 2024, external specialists Interpath have supported the Council in re-assessing the valuations, providing a range of possible outcomes. Taking the average as the neutral position results in a further loan impairment of £580 million (in addition to the £155 million write-off in the CD), as well as the £31.2m shareholding being fully written-off, as summarised in the following table:

	Shares £'000	Loans £'000	Total £'000
Balances prior to impairment - VSWL & TW *	31,193	1,334,919	1,366,112
Impairment - capital loans/shareholdings	-31,193	-580,019	-611,212
Impairment - revenue loans		-155,000	-155,000
Total Impairment	-31,193	-735,019	-766,212
Net carrying amount after impairment	0	599,900	599,900

* Victoria Square Woking Ltd (VSWL) and Thameswey Limited (TW)

In accordance with proper accounting practices, these additional impairments of £580 million and £31.2 million have been charged to the Comprehensive Income and Expenditure Statement (CIES) and appropriated to the Capital Adjustment Account through the Movement in Reserves Statement (MIRS).

Combined with the £155 million loan write-off in the CD, the total impairment charge recognised in 2023/24’s accounts relating to loans and shareholdings is £766 million.

Following these impairments, the net carrying value of loans and shareholdings has reduced from £1.37 billion at 31 March 2023 to £599.9 million at 31 March 2024.

The above events have clearly led to a significant re-assessment of both the revenue account and balance sheet of WBC. The Council continues to engage with MHCLG to secure the ongoing Exceptional Financial Support that is necessary for the Council to remain a going concern.

Audit Status of the Accounts

WBC's last audited set of accounts is for 2018/19. WBC previously published draft accounts for 2019/20, and in the last year has added 2020/21, 2021/22 and 2022/23 accounts to its website. These publications were in time for the government's backstop date of 13 December 2024. However, WBC's auditors for the period to 2022/23 (BDO LLP) have not yet completed their audits nor provided audit opinions on those accounts. The Council continues to engage with both sets of external auditors to attempt to resolve this issue as soon as possible.

For these 2023/24 accounts, which are for WBC as a single entity, the new auditor is Grant Thornton LLP. Officers will work with Grant Thornton to attempt to secure an audit opinion by the government's backstop date which is 28 February 2025 (for 2023/24 accounts).

The publication of the 2023/24 accounts is a major milestone in WBC's Improvement and Recovery Plan, rectifying and improving financial management. The Council will continue work to publish outstanding Group Accounts (which incorporate consolidation of subsidiary company accounts) as soon as is practicably possible.

Summary and Explanation of Key Statements

Outturn

WBC's accounts are prepared in line with accounting standards, as set out in the accounting policies section. The budget and council tax setting and in year reporting in year against budget is on this statutory basis – the notable exceptions are how debt, depreciation and pensions are accounted for.

The 2023/24 outturn and the capitalisation direction had the following impact on General Fund and Housing Revenue Account (HRA) balances and reserves as at 31 March 2024:

- £1.5 million General Fund Balance [re-instated under the capitalisation direction];
- £2.243 million General Fund Earmarked Reserves following the issuing of the section 114 notice all General Fund reserve balances have been reduced to £0 with the exception of the Syrian, Afghan, and Ukraine Refugee Reserve which is made up of Government funding. Under the Government's Exceptional Financial Support certain reserve balances will be re-instated in2024/25 including the PFI and HS2 Reserves;
- £1.708 million HRA balance [in year reduction of £1.240 million], and
- £1.512 million HRA Earmarked Reserves [in year reduction of £0.520 million].

The main reason for the reduction in General Fund Earmarked Reserves of £14.735 million was due to the crystalisation of the issues outlined in the Section 114 Notice issued in June 2023:

Comprehensive Income and Expenditure Statement (CIES)

This statement summarises the costs of providing all WBC services and the income and resources received in financing the expenditure. The expenditure and income are reported in WBC's statement of accounts under the CIES. The CIES takes a wider view of financial performance and shows the accounting position for the year, namely a deficit of £884.34 million.

Movement in Reserves Statement (MIRS)

This statement shows the movement during the year of the different reserves held by the WBC, both revenue and capital. This movement analyses the deficit/surplus position on revenue in the CIES through to the impact on the balance sheet. Movements on capital reserves reflect the funding of the capital programme in year.

Reserves are reported in two categories, usable and unusable. Usable reserves are those that WBC may use to provide services, subject to the need to maintain a prudent balance and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). This split of reserves is analysed further in the notes to the accounts.

Balance Sheet

The Balance Sheet includes information on the WBC's non-current and current assets, short term and long-term liabilities and the balances at its disposal at the reporting date.

Cash Flow Statement

This statement provides a summary of the flow of cash into and out of WBC for revenue and capital purposes.

Housing Revenue Account (HRA)

This account reflects the statutory obligation under the Local Government and Housing Act 1989 to show separately the financial transactions relating to the provision of local council housing. The deficit for the year on the HRA was £1.198 million.

Collection Fund

This statement summarises the transactions of WBC as a billing authority in relation to National Non-Domestic Rates and Council Tax and illustrates the way in which income has been distributed to the Precepting Authorities (i.e. Surrey County Council and Surrey Police). Any surplus or deficit is split between WBC and the precepting authorities and is carried forward to following years and taken into account in future years' tax setting.

Stephen Fitzgerald

Strategic Director of Finance and Section 151 Officer

Independent Auditor's Report to the Members of Woking Borough Council

[To be inserted on conclusion of the audit]

Revenue Outturn Statements

The Council's services are delivered through the three thematic areas below, which were in place during the financial year.

- **COMMUNITIES** - A healthy, inclusive and engaged community
- **PLACE** - An enterprising, vibrant and sustainable place
- **CORPORATE RESOURCES** - An innovative, proactive and effective council

The table below shows the total actual expenditure and income compared against the approved budget and resultant variances. 2022/23 is shown for comparison. The table covers the Council's directorates [net cost of services] and corporate items are then shown below such as non-domestic rates income and expenditure, council tax income, non-ring-fenced government grants, interest payable and investment interest income.

2022/23		---- 2023/24 ----			
ACTUAL		APPROVED BUDGET	ACTUAL	VARIANCE	
£'000		£'000	£'000	£'000	
14,960	**Total Service Budgets (Communities, Place, Corporate Resources)**	**8,789**	**14,435**	**5,646**	(1)
0	Other Budgeted Provisions	184	0	-184	(2)
-3,875	Depreciation Adjustment	-3,947	-3,850	97	(3)
-6,595	Council Housing (Housing Revenue Account)	-4,240	-4,155	85	(4)
126	Investment Programme Revenue Projects	120	2,453	2,333	(5)
4,616	**Net Cost of Services**	**906**	**8,883**	**7,978**	
51,257	Interest payable	60,915	61,881	966	(6)
-38,213	Interest receivable	-43,281	10,489	53,770	(7)
8,195	Minimum Revenue Provision	7,503	8,238	735	(8)
-5,680	Grants Income [not reflected in net cost of service]	-1,400	-7,232	-5,832	(9)
-4,272	Business Rates [retained locally]	-3,280	-3,696	-416	(10)
-10,619	Council Tax	-11,448	-11,212	236	(11)
4,163	Council Tax/Business Rates Surplus (-)/ Deficit	-236	1,674	1,910	(12)
9,448	**(Surplus)/Deficit [before transfer from earmarked reserves]**	**9,677**	**69,025**	**59,348**	
0	Capitalisation Direction Under Government Exceptional Financial Support	0	-52,998	-52,998	
9,448	**(Surplus)/Deficit [before transfer from earmarked reserves]**	**9,677**	**16,027**	**6,350**	

Explanations of variances are over the page.

Explanation of Variances

Note 1: Total Service Budgets (Communities, Place, Corporate Resources)

Community Support

Centres for the Community - an underspend of £50k mostly because of employees' budget.

Housing

Housing Needs & Allocations have an overspend of £337k. The Homelessness budget experienced an overspend of £141k because of demand being higher than funding received. There is an overspend of £196k in Housing Options due to cost pressures in Bed & Breakfast (£118k, demand driven) and Other Areas of Housing Needs £(78k).

Independent Living

Underspend of £218k mostly due to net impact of reduction in services provided for Meals (due to closure of centres) and Homelink works.

Sustaining the Local Economy

*Economic Development***-** Underspend of £124k is mainly due to cancellation of Celebrate Woking activities of £100k. Overspend of £2k on staff not budgeted for and £26k underspend on Business liaison project.

Parking Services - The overspend against budget of £1,856k was owing to less than targeted parking incomes (£954k), and more spendings on business rates (£703k), electricity charges (£281k) and facilities management (£64k), which were partly offset by underspend on capital charges (£81k), employee costs (£56k), car park operational costs (£33k) and other £51k. The overspend on business rates was mainly due to under-provision of budgets for Red and Green car parks and over-provision of savings from appeals on business rates.

Environmental Quality

Building Control - Overspend of £173k because there is a significant income shortfall due to the effects of high interest rates on the construction sector (mainly due to reduction / slow-down of town centre development).

Waste and Recycling -There are overall savings of £107k from Waste and Recycling mainly due to large reduction in variable costs for waste collection. The lower take up of garden waste subscriptions offsets part of the saving.

Place Making

Development Management - Overspend of £198k because Planning Fee income is £172k below target for the year and other areas £26k.

Green Infrastructure - Underspend of £338k because of : Savings (£193k) from reducing non-essential activities for tree, vegetation and footpath improvement, holding off on works in repair and maintenance in play and sports equipment, and reducing ground maintenance in allotments, parks and countryside sites with contribution towards relevant costs recharged from third parties; Savings (£53k) because of termination of partner contribution for Basingstoke Canal generates; Reduction in expense and contribution to various projects (£92k).

Neighbourhood Services- Underspend because of: Street Furniture, grounds maintenance and maintenance of other land where WBC has an interest result in savings of £51k; There is an increase in income of £14k from Roundabout sponsorship. Income of £31k is received from shared revenue of advertising on Bus Shelters.

Other Services - Underspend of £46k

<u>Corporate</u>

Commercial Property- Overspend of £1,800k, due to: Lower than budgeted commercial rent £632k; Void Costs because of less tenancies (£570k); Fees & Consultants costs due to the increased volume of lease renewals in quarter 4 of 2023-24 (£701k); offset by underspend in Operational Costs and Other (£103k).

Corporate Management- Overall overspend of £728k because of: An overspend (£362k) that relates to the cost of the Interim Section 151 Officer and costs of Commissioners offset by Strategic Director Place vacancy; Overspend (£248k) due to External Auditor costs (including VFM Review); Overspend (£148k) due Debt Management & Bank Charges

Customer Support Services-Overall Overspend of £607k because of: There is an overspend against budget of £390,000 mainly due to an overspend on the net cost of Housing Benefits. Income from Search fees less than budget due to lower number of applications received than forecasted activity, resulting in adverse impact of £96k. Staffing contributes to a pressure of £78k and Other £48k.

Transformation and ICT- Underspend (£138k) mostly due to a combination of: Implementing corporate systems review to rationalise the number of hosted applications; Contract re-negotiations and procurement efficiencies through better sourcing; movement to cloud systems hosting; Review of license and other.

Financial Services-Overspend of £1,064k because of: Interims and Consultants, additional support from PWC required to support budget setting, and extensions to Interims (all approved via FCP)

Note 2: Other Budgeted Provisions

A number of areas were budgeted centrally (i.e. Private Finance Initiative, management of change, and risk contingency), with actuals being reflected in the relevant service.

Note 3: Depreciation Adjustment

This adjustment relates to the reversal of depreciation for fixed assets reflected in services, in order that the impact of this charge does not impact on General Fund outturn. The £97,000 variance is as a result of lower than forecast fixed asset carrying amounts at the end of the year [upon which depreciation is calculated].

Note 4: Council Housing (Housing Revenue Accounts)

The underspend on Supervision & Management totals £743,000, mostly driven by a positive variance of £1.11 million from a reduction in recharges and staffing cost. Additionally, there are underspends of £1.15 million in Gas and Electricity budgets, £65,000 in legal costs, £36,000 from the New Burdens Grant, and £39,000 in various other areas. However, there are negative variances totalling £1.21 million, mainly due to decant and removal costs for Sheerwater and Brockhill evacuation. Additionally, £294,000 in costs for Hale End and Brockhill have been transferred from the General Fund to the HRA. Another negative variance of £156,000 is due to consultancy and subscription expenses.

Repairs & Improvements budget shows an overspend of £1.175 million, mainly due to higher costs associated with voids, repairs, and additional emergency communal heating works.

Depreciation and impairment of fixed assets are based on opening balances. The Hale End Court properties were added to the stock in 2022-23 but were not accounted for in the 2023-24 budget. The £188,000 depreciation overspend in 2023-24 is due to the inclusion of the Hale End properties.

The provision for bad debt and impairment is showing an underspend of £94,000, due to a lower actual provision being made than originally estimated.

Dwelling rents and charges for services and facilities are showing an over-recovery of £568,000. This is mostly due to £589,000 in unbudgeted Sheerwater receipts and a £375,000 over-recovery in heating and service charges. The underspends are partially offset by £396,000 in unbudgeted Sheerwater void losses. This is combined with other minor variations.

Note 5: Investment Programme Revenue Projects

This variance includes the transformation expenditure financed by the flexible use of capital receipts. The financing of the capital receipts is recognised in the Movement In Reserves Statement (MIRS).

Note 6: Interest Payable
Interest payable was £966,000 more than budgeted in 2023/24. Interest rates were higher than budgeted and the original budget assumed £821,000 would be charged to capital projects.

Note 7: Interest Receivable

The interest received from Group Companies has been suspended. The reason for the suspension is that the companies would be unable to fund the payments now that the Council's revolving loan arrangements with them have ended as part of the s114 notice in June 2023. The 2023/24 accounts assume that interest income due from Victoria Square Woking Ltd (VSWL) and Thameswey, budgeted at £42m in 2023/24, will not be received. The accrued income relating to 2022/23 is also written off in 2023/24.

Note 8; Minimum Revenue Provision
The final MRP calculation was £735,000 more than budgeted.

Note 9: Grants Income [not reflected in net cost of service]
The Council received a number of grants through the local government finance settlement i.e. new homes bonus, lower tier services grant and services grant.

Note 10: Business Rates [retained locally]
Woking's share of the Business Rates due to be collected for the Borough, was £416,000 more than the anticipated in the budget.

Note 11: Council Tax
£11.212 million relates to Woking's council tax precept which was approved in February 2022.

Note 12: Council Tax/Business Rates Surplus (-)/ Deficit
The £1.674 million relates to Woking's share of the previous years' business rates deficit.

Statement of Responsibilities

Woking Borough Council's Responsibilities

The Council 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 Strategic Director of Finance (Section 151 Officer);
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the statement of accounts.

The Strategic Director of Finance’s Responsibilities

The Strategic Director of Finance is responsible for the preparation of the Council’s Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The accounts are required to present a true and fair view of the financial position of the Council at the accounting date and of the income and expenditure for the year.

In preparing the statement of accounts, the Strategic Director of Finance has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent; and
- Complied with the Code of Practice.

The Strategic Director of Finance has also:

- Kept proper accounting records which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

As identified in the previous three Statements of Accounts, there remain limitations in the financial information available, particularly relating to historic investment decisions. To mitigate this and following the S114 Notice issued in June 2023, the Council has commissioned external specialist valuations of its investments. A package of Exceptional Financial Support, including a Capitalisation Directive, also had to be agreed with MHCLG, to ensure the Council remained a solvent, going concern into 2024/25.

As planned, the external investment valuations have been factored into 2023/24’s Statement of Accounts on a prospective basis. This means that while prior year balances at 31 March 2023 have not be re-stated (as planned) due to limitations in the information available, balances at 31 March 2024 now fully incorporate the external valuations, the S114 Notice, and the impact of Exceptional Financial Support and the Capitalisation Directive agreed with MHCLG.

These accounts are for the single-entity of Woking Borough Council and should be read in the context set-out in the Explanatory Foreword. This explains that while group accounts incorporating Woking Borough Council-owned companies have not yet been prepared, the Council will continue work to publish group accounts as soon as is practicably possible.

Stephen Fitzgerald: ___________________
Strategic Director of Finance
& Section 151 Officer

Date: ______________

Cllr Louise Morales: ___________________
Mayor of Woking

Date: ______________

Primary Financial Statements

Comprehensive Income & Expenditure Statement

The Comprehensive Income and Expenditure Statement ("CIES") shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation or rents. Authorities raise taxation and rents to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis, and the Movement in Reserves Statement.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2022/23				2023/24		
Expenditure £'000	**Income £'000**	**Net Cost £'000**		**Expenditure £'000**	**Income £'000**	**Net Cost £'000**
26,797	6,978	19,819	Communities	18,446	9,502	8,944
18,037	10,041	7,996	Place	14,244	9,452	4,792
30,312	20,120	10,192	Corporate Resources	52,371	20,283	32,088
12,391	18,677	-6,286	Council Housing	13,212	17,492	-4,280
10,519	15,955	-5,436	Investment Programme Projects	3,399	-219	3,618
98,056	**71,771**	**26,285**	**NET COST OF SERVICES**	**101,672**	**56,510**	**45,162**
		0	- Contribution to Housing Pooled Capital Receipts			0
		0	- Changes in fair value of Assets Held For Sale			0
		-220	- (Gain) or loss on the disposal of non current assets			2,425
		-220	**Other Operating Expenditure**			**2,425**
		51,238	- Interest payable and similar charges			61,861
		0	- Losses on Financial Instruments held at FV through P&L			31,193
		5,357	- Pensions interest on obligation (note 32)			7,078
		-3,519	- Expected return on pension assets (note 32)			-6,077
		-38,213	- Investment interest income			10,489
		-22,879	- Rentals received on investment properties			-24,891
		7,010	- Expenses incurred on investment properties			10,219
		5,462	- Changes in fair value of investment properties			13,788
		0	- Losses on Financial Instruments held at amortised cost			735,019
		0	- Gains(-)/losses on disposal of investment properties			22,169
		4,456	**Financing & Investment Income & Expenditure**			**860,848**
		-1,935	- Non-domestic rates income and expenditure			-1,790
		-6,048	- Non-ring fenced government grants			-11,141
		-10,818	- Council Tax Income			-11,163
		-18,801	**Taxation and Non-Specific Grant Income & Expenditure**			**-24,094**
		11,720	**Surplus(-) or Deficit on Provision of Services**			**884,341**
		5,425	Surplus(-)/deficit on revaluation of Property, Plant & Equipment Assets			-21,000
		0	Other Movements			-97
		-48,994	Actuarial gains(-)/losses on pension assets/liabilities			-11,415
		-43,569	**Other Comprehensive Income and Expenditure**			**-32,512**
		-31,848	**Total Comprehensive Income and Expenditure**			**851,829**

* The 'Investment Programme Projects & Covid' 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 and the corresponding government grants, are included here.

Movement in Reserves Statement

The Movement in Reserves Statement ("MIRS") shows the movement from the start to the end of the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The Net Increase/Decrease before transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments, prior to any discretionary transfers to earmarked reserves undertaken by the Council.

MOVEMENT IN RESERVES DURING 2023/24	**General Fund (GF)**	**Housing Revenue Account (HRA)**	**Capital Receipts Reserve**	**Major Repairs Reserve**	**Capital Grants Unapplied**	**Total Usable Reserves**	**Unusable Reserves**	**Total Authority Reserves**
	Notes 22(a) & 22(b)	**Notes 22(b) & 22(c)**	**Note 22(e)**	**Note 22(d)**	**Note 22(f)**		**Notes 23(a) - 23 (f)**	
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 1 April 2023	**18,689**	**4,512**	**7,414**	**1,041**	**3,142**	**34,798**	**165,925**	**200,723**
Surplus or Deficit (-) on Provision of Services (accounting basis)	-883,143	-1,198	0	0	0	**-884,341**	**0**	**-884,341**
Other Comprehensive Income and Expenditure	0	0	0	0	0	**0**	**32,512**	**32,512**
Total Comprehensive Income and Expenditure	-883,143	-1,198	0	0	0	**-884,341**	**32,512**	**-851,829**
Adjustments between accounting basis and funding basis under regulations (note 8) *	868,408	-94	26,011	63	-209	**894,179**	**-894,177**	**1**
Increase/Decrease (-) in Year	-14,734	-1,292	26,011	63	-209	**9,837**	**-861,665**	**-851,828**
Balance at 31 March 2024	**3,955**	**3,220**	**33,425**	**1,104**	**2,933**	**44,635**	**-695,740**	**-651,105**
* This includes the following adjustments between accounting basis and funding basis relating to the Capitalisation Direction (as detailed in the capitalisation direction disclosure of material items of income & expense). See note 37	207,998	0	0	0	0	**207,998**	**-207,998**	**0**

Movement in Reserves Statement (continued)

MOVEMENT IN RESERVES DURING 2022/23	General Fund (GF)	Housing Revenue Account (HRA)	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	Notes 22(a) & 22(b)	Notes 22(b) & 22(c)	Note 22(e)	Note 22(d)	Note 22(f)		Notes 23(a) - 23 (f)	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2022	**29,729**	**2,945**	**7,595**	**611**	**4,681**	**45,561**	**123,309**	**168,870**
Surplus or Deficit (-) on Provision of Services (accounting basis)	-12,558	838	0	0	0	**-11,720**	**0**	**-11,720**
Other Comprehensive Income and Expenditure	0	0	0	0	0	**0**	**43,568**	**43,568**
Total Comprehensive Income and Expenditure	-12,558	838	0	0	0	**-11,720**	**43,568**	**31,848**
Adjustments between accounting basis and funding basis under regulations (note 8)	1,518	729	-181	430	-1,539	**957**	**-952**	**5**
Increase/Decrease in Year	-11,040	1,567	-181	430	-1,539	**-10,763**	**42,615**	**31,853**
Balance at 31 March 2023	**18,689**	**4,512**	**7,414**	**1,041**	**3,142**	**34,798**	**165,925**	**200,723**

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held. Reserves are reported in two categories. The first category of reserves are those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category is those reserves that cannot be used to provide services. This category includes reserves used to hold unrealised gains and losses (e.g. Revaluation Reserve) where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 MARCH 2023		31 MARCH 2024	
£'000		£'000	£'000
	Property, Plant & Equipment (note 11)		
327,117	- Council Dwellings	323,835	
154,729	- Other Land and Buildings	173,627	
7,021	- Vehicles, Plant and Equipment	5,899	
15,106	- Community Assets	15,199	
0	- Surplus Assets	9,900	
56,250	- Assets Under Construction	10,420	
560,223			538,879
884	Heritage Assets (note 11)		884
346,725	Investment Property (note 11)		300,215
109	Intangible Assets (note 11)		70
0	Asset Held for Sale (note 11)		2,871
	Long-Term Investments (note 15)		
37,808	- Shareholdings in Companies		6,615
	Long-Term Debtors (note 16(a))		
1,470	- Mortgagees		1,355
1,275,807	- Others		552,425
2,223,026	**Long Term Assets**		**1,403,315**
5	Inventories	0	
45,866	Short Term Debtors (note 16 (b))	87,737	
15,354	Cash and Cash Equivalents (note 19)	59,119	
61,225	**Current Assets**		**146,856**
-226,233	Short-Term Borrowing (note 13)	-384,136	
-35,076	Short-Term Creditors (note 17)	-32,693	
-1,253	Short-Term Liabilities from PFI & Similar Contracts (note 21)	-1,329	
-475	Provision for accrued absences	-407	
-263,037	**Current Liabilities**		**-418,565**
-2,708	Provisions (note 20)	-1,750	
-1,759,583	Long-Term Borrowing (note 13)	-1,733,925	
-21,979	Long-Term Liabilities from PFI & Similar Contracts (note 21)	-20,650	
-21,877	Liability related to pension scheme (note 32)	-9,834	
-14,344	Capital Grants Receipts in Advance (note 18)	-16,552	
-1,820,491	**Long-Term Liabilities**		**-1,782,711**
200,723	**Net Assets**		**-651,106**
1,500	General Fund (note 22(a))		1,500
17,214	Earmarked Reserves - GF (note 22(b))		2,479
1,564	Earmarked Reserves - HRA (note 22(b))		1,512
2,948	Housing Revenue Account (note 22(c))		1,708
1,041	Major Repairs Reserve (note 22(d))		1,103
7,414	Capital Receipts Reserve (note 22(e))		33,425
3,142	Capital Grants Unapplied (note 22(f))		2,933
34,823	**Usable Reserves**		**44,660**
108,655	Revaluation Reserve (note 23(a))		127,601
-21,877	Pensions Reserve (note 23(b))		-9,834
81,803	Capital Adjustment Account (note 23(c))		-813,711
-906	Financial Instruments Adjustment Account (note 23(d))		-886
-475	Employee Benefits Reserve (note 23(e))		-407
-1,300	Collection Fund Adjustment Account (note 23(f))		1,471
165,900	**Unusable Reserves**		**-695,766**
200,723	**TOTAL RESERVES**		**-651,106**

Cash Flow Statement
The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

2022/23		2023/24	
£'000		£'000	£'000
	Revenue Activities		
-11,720	Net surplus/deficit (-) on the provision of services	-884,341	
30,263	Adjust net surplus/deficit (-) for non-cash movements (note 35)	791,670	
18,543	**Net cash flow from operating activities**		**-92,671**
	Investing activities		
	Cash Outflows		
-17,902	Purchase of fixed assets	-7,541	
-142,171	Loans to subsidiaries and joint ventures [net]	-29,711	
	Cash Inflows		
3,278	Sale of assets	27,534	
13,700	Capital grants received	3,366	
	Proceeds from purchase of Long-term Investments	0	
4,905	Movement in other long term debtors [net]	18,208	
0	Other capital cash receipts		
-138,190	**Net cash flow from investing activities**		**11,856**
-119,647	**Net cash flow before financing**		**-80,815**
	Financing Activities		
	Cash Outflows		
-16,853	Repayments of long-term borrowing	-29,901	
-12,477	Repayments of short-term borrowing	-176,079	
-1,240	Payment of PFI lease liability	-1,253	
	Cash Inflows		
1,843	Increase in creditors in respect of Preceptors' and Government's shares of net cash for Council Tax and/or Non Domestic Rates	-2,166	
0	New long-term loans raised		
128,000	New short-term loans raised	333,980	
99,273	**Net cash flow from financing activities**		**124,581**
-20,374	**Net increase/decrease (-) in cash and cash equivalents**		**43,766**
35,728	**Cash and cash equivalents at 1 April**		**15,354**
15,354	**Cash and cash equivalents at 31 March** (note 19)		**59,119**

Notes to the Primary Financial Statements

Note 1 Expenditure and Funding Analysis

The Expenditure and Funding Analysis is a note to the financial statements that shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by the Council in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement on the next page. The adjustments between funding and accounting basis shown below are analysed in Note 7.

2023/24	Net Expenditure Chargeable to the General Fund & HRA Balances £000	Adjustments between Funding and Accounting Basis (note 7) £000	Net Expenditure in the Comprehensive Income & Expenditure Statement £000
Communities	1,450	7,494	8,944
Place	5,606	-814	4,792
Corporate Resources	7,418	24,670	32,088
Council Housing (Housing Revenue Account)	-3,957	-323	-4,280
Investment Programme Projects (General Fund)	2,368	1,250	3,618
NET COST OF SERVICES	12,886	32,277	45,162
Other income and expenditure	3,141	836,039	839,179
Surplus(-) or deficit on Provision of Services	**16,026**	**868,316**	**884,342**
Opening General Fund & HRA Balance at 1 April	23,201		
Deficit(-)/Surplus on General Fund & HRA Balance in Year	-16,026		
Closing General Fund & HRA Balance at 31 March	**7,175**		

Analysed between General Fund & HRA Balances	General Fund £000	HRA £000	Total £000
Opening General Fund & HRA Balance at 1 April	18,689	4,512	23,201
Less Deficit(-)/Surplus on General Fund & HRA Balance in Year	-14,734	-1,292	-16,026
Closing General Fund & HRA Balance at 31 March	**3,955**	**3,220**	**7,175**

Note 1 Expenditure and Funding Analysis (Continued)

2022/23	Net Expenditure Chargeable to the General Fund & HRA Balances £000	Adjustments between Funding and Accounting Basis (note 7) £000	Net Expenditure in the Comprehensive Income & Expenditure Statement £000
People	13,054	7,101	20,155
Place	-4,975	414	-4,561
Us	6,881	15,532	22,413
Council Housing (Housing Revenue Account)	-6,935	649	-6,286
Investment Programme Projects	126	-5,562	-5,436
NET COST OF SERVICES	8,151	18,134	26,285
Other income and expenditure	1,297	-15,862	-14,565
Surplus(-) or deficit on Provision of Services	**9,448**	**2,272**	**11,720**
Opening General Fund & HRA Balance at 1 April	32,674		
Deficit(-)/Surplus on General Fund & HRA Balance in Year	-9,473		
Closing General Fund & HRA Balance at 31 March	**23,201**		

Analysed between General Fund & HRA Balances	**General Fund £000**	**HRA £000**	**Total £000**
Opening General Fund & HRA Balance at 1 April	29,729	2,945	32,674
Less Deficit(-)/Surplus on General Fund & HRA Balance in Year	-11,040	1,567	-9,473
Closing General Fund & HRA Balance at 31 March	**18,689**	**4,512**	**23,201**

Note 2 Accounting Policies

i. General principles

The Statement of Accounts summarises the Council's transactions for the 2023/24 financial year and its position at the year end of 31 March 2024. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 supported by International Financial Reporting Standards ("IFRS").

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

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

ii. Accruals of income and expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowing is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet provided the amount exceeds £1,000. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Housing rents income is billed weekly. No adjustments are made to account for income in respect of part weeks at the beginning or end of the financial year.
- Housing benefits expenditure is payable on a weekly basis throughout the year. No adjustments are made to account for payments in respect of part weeks at the beginning or end of the financial year.

iii. Property Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

<u>Recognition:</u>

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement:

Assets are initially measured at cost, comprising:

- The purchase price.
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

- Assets under construction - historical cost.
- Community Assets - historical cost.
- Dwellings - current value, determined using the basis of existing use value for social housing ("EUV-SH").
- Surplus assets - the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective.
- All other assets - current value, determined as the amount that would be paid for the asset in its existing use (existing use value - "EUV").

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

Where assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value following the materiality concept.

Revaluations of non-current 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.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the appropriate service segment in the CIES.

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.

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 (excluding IT)	1,000

Impairment:

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

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the revaluation reserve or an insufficient balance, the carrying amount of the asset is written down against the appropriate service segment in the Comprehensive Income and Expenditure Statement (“CIES”).

Where an impairment loss is reversed subsequently, the reversal is credited to the appropriate service segment in the CIES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation:

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

For newly acquired assets, depreciation is first provided for in the year after acquisition. Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item and the asset lives are materially different, the components are depreciated separately.

Depreciation 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.

Depreciation is not permitted to have an impact on the general fund Balance (with the exception of Council dwelling and non-dwelling depreciation). The depreciation is therefore reversed out of the general fund balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

Housing Revenue Account dwelling and non-dwelling depreciation is a real charge and impacts the Housing Revenue Account balance. The impact is reflected in the Movement in Reserves Statement including entries in the Major Repairs Reserve and Capital Adjustment Account.

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

Disposals and non-current asset held for sale:

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

Assets that are abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CIES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

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

iv. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (eg software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Measurement

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at cost less accumulated amortisation and any accumulated impairment loss.

Amortisation

Intangible assets are amortised by systematic allocation of their amortised amounts over their useful lives.

Amortisation charges are calculated using the straight-line method. For the purposes of the calculation, the intangible assets held at 31st March have a finite life and are amortised over a maximum of 7 years.

Amortisation is not permitted to have an impact on the general fund Balance (with the exception of Council dwelling and non-dwelling depreciation). The amortisation is therefore reversed out of the general fund balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account

Impairment

An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the CIES.

v. Heritage Assets

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.

Heritage assets are not depreciated.

vi. Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use.

Properties are not depreciated but are revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the CIES. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income and Expenditure line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement In Reserves Statement and posted to the Capital Adjustment Account.

vii. Charges to revenue for non-current assets

Services and support services are debited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service;
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off; and
- Amortisation of intangible assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund balance (Minimum Revenue Provision) by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

The dwellings and non-dwellings depreciation for the Housing Revenue Account is a real charge to the Housing Revenue Account Income and Expenditure Statement.

viii. Revenue Expenditure Funded from Capital Under Statute

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

ix. 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 CIES Net Cost of Services.

x. Provision and Reserves

Provisions

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

Provisions are charged as an expense to the appropriate service segment in the CIES in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

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

Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement In Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service segment in the year to score against the surplus or deficit on the provision of services in the CIES. The reserve is then appropriated back into the General Fund balance in the Movement In Reserves Statement so that there is no net charge against Council Tax (and rents in respect of the housing revenue account) for the expenditure.

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

xi. 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 Council 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 Council 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 CIES).

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 Council at the end of the lease period).

The Council 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 CIES 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 Council as Lessor

Finance leases
The Council does not have any finance leases.

Operating Leases
Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the CIES.

xii. 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 CIES. 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 CIES at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-employment benefits:

Employees of the Council are members of the Local Government 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 discount rate based on the indicative rate of return on high quality corporate bond (iBoxx Sterling Corporates AA Over 15 years Index).
- 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 pensions 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 CIES 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 CIES as part of "Us"; and
  - net interest on the net defined benefit liability, i.e. net interest expense for the Council – 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 CIES – 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; and
  - Actuarial gains and losses: changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions reserve as Other Comprehensive Income and Expenditure.
  - Contributions paid to the East Sussex 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 pensions fund or directly to pensioners in the year, not the amount calculated according to relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove 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 Pension 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.

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 465, Reigate, RH2 2HA.

xiii. Government grants and contributions

Whether paid on account, by instalments or in arrears, Government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments; and
- The grants or contributions will be received

Amounts recognised as due to the Council are not credited to the CIES until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the balance sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the appropriate service segment (attributable revenue grants and contributions) or taxation and non-specific grant income and expenditure line (non-ring fenced revenue grants and all capital grants), in the CIES.

Where capital grants are credited to the CIES they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

xiv. Capitalisation of Interest

Finance costs incurred during the construction of non-current 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.

xv. Financial instruments

Financial liabilities:

Financial liabilities are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of the 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 CIES for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the CIES to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement In Reserves Statement.

Financial assets:

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

- Amortised Cost;
- Fair Value through Profit or Loss ("FVPL"); and
- Fair Value through Other Comprehensive Income ("FVOCI").

The Council's business model is to hold investments to collect contractual cashflows. Financial assets are therefore classified as amortised cost i.e. financial assets whose contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (e.g. debtors, loans to other local authorities). The exception to this classification is for financial assets where contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial assets measured at amortised cost:

Financial assets at amortised cost are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of the financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the financing and investment income and expenditure line in the CIES.

Expected credit loss model:

"The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to the Council's lease receivables. Only lifetime losses are recognised for the Council's trade receivables (i.e. debtors).

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

xvi. 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 a Council 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 Council at the end of the contracts for no additional charge, the Council 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 CIES 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 short/long term liabilities. The interest element of the Unitary Charge is included in the CIES, 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 the disclosure note to the Balance Sheet.

xvii. 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.

xviii. VAT

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

xix. Council tax and non domestic rates

The Council is a billing authority for council tax and non-domestic rates (“NDR”). Billing authorities act as agents, collecting council tax and non-domestic rates on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

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

Where debtor balances are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made, the asset is written down and a charge made to the financing and investment income and expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

<u>Accounting for council tax:</u>

While the Council Tax income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the Council's General Fund, or paid out to the major preceptors. The amount credited to the General Fund under statute is the Council's demand for the year plus or minus the Council's share of the surplus or deficit on the Collection Fund for the previous year.

The Council Tax income included in the CIES is the Council's share of the Collection Fund's accrued income for the year. The difference between this value and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account via the Movement in Reserves Statement. Revenue relating to Council Tax shall be measured at the full amount receivable (net of any impairment losses) as the transactions are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.

The cash collected by the Council from Council Tax payers belongs proportionately to the Council and the major preceptors. The difference between the amounts collected on behalf of the major preceptors and the payments made to them is reflected as a debtor or creditor balance as appropriate.

Accounting for non-domestic rates:

While the NDR income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the Council's General Fund, or paid out to the precepting authorities and the Government. The amount credited to the General Fund under statute is the Council's share of NDR for the year specified in the National Non Domestic Rates NNDR1 return.

The NDR income included in the CIES is the Council's share of the Collection Fund's accrued income for the year and is as set out in the NNDR3 return. The difference between this value and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account via the Movement in Reserves Statement. Revenue relating to NDR shall be measured at the full amount receivable (net of any impairment losses) as these transactions are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.

The cash collected by the Council from NDR payers belongs proportionately to the Council, the precepting authorities and Government. The difference between the amounts collected on behalf of the precepting authorities and Government and the payments made to them is reflected as a debtor or creditor balance as appropriate.

xx. Prior period adjustments, changes in accounting policies and estimates and errors

Prior year adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively i.e. in the current year and future years affected by the change and do not give rise to a prior year adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. When a change is made, it is applied retrospectively (unless otherwise stated) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always applied.

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

xxi. Events after the reporting period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period - the Statement of Accounts is adjusted to reflect such events;
- Those that are indicative of conditions that arose after the reporting period - the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

xxii. Fair value measurement of non-current assets

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

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

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

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

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

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

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

All of the non-financial asset fair value measurements and disclosures in the Council's financial statements are categorised as Level 2 on the fair value hierarchy.

xxiii. Council acting as agent

Where the Council is acting as an agent (i.e. in respect of a number of Covid grants) the transactions will be accounted for on the Balance Sheet, with a debtor or creditor shown at the year end and as cash inflows and outflows in the Cash Flow Statement.

In respect of Covid grants the Council is acting as an agent where it will not be in control of Government funding where it is responsible only for distributing amounts to beneficiaries in accordance with rules specified by the funder, so that the recipients and the amounts they receive would be no different if the Government had distributed the funding itself.

xxiv. Interests in companies and other entities

The Council has material interest in a number subsidiary companies that requires the Council to prepare group accounts. In the Council's own single-entity financial statements, the interest in the company is recorded as a financial asset at cost, less provision for losses.

Note 3. Accounting Standards that have been issued but have not yet been adopted

The Code of Practice on Local Authority Accounting in the United Kingdom ("the Code") requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard which has been issued but is yet to be adopted by the 2023/24 Code.
The Code also requires that changes in accounting policy are to be applied retrospectively unless transitional arrangements are specified, this would result in an impact on disclosures spanning two financial years.

Note 3. Accounting Standards that have been issued but have not yet been adopted (continued)

Accounting changes that are introduced by the 2024/25 Code are:

- Supplier Finance Arrangements (Amendments to IAS7 and IFRS 7)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

The Council does not anticipate that the above amendments will have a material impact on the information provided in local authority financial statements.

IFRS 16 Leases is not included in the above list of accounting changes because CIPFA/LASAAC have deferred implementation of IFRS 16 for local government to 1 April 2024, and the Council is not adopting the Standard earlier (as permitted by the Code). The changes to be introduced by IFRS 16 will mean that operating leases where the Council is lessee, will be reflected in the Balance Sheet based on the concept of 'right of use'. Whilst work is currently underway to access the impact on the Council, at the current time the impact is not known.

Note 4. Critical Judgements in Applying Accounting Policies

In applying the accounting polices set out in Note 2, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are as follows:

- The impairment of the Council's investments [loans to companies – principal and interest], and MRP for loans, has been accounted for in 2023/24 as part of the Government's capitalisation direction.
- Pension Asset Ceiling – In calculating the net pensions asset, the Council has made a judgement that the statutory framework for setting employer's contributions under the Local Government Pensions Scheme constitutes a minimum funding requirement. As a result, the Council's ability to realise the full economic benefits of the net pensions asset calculated under the Accounting Code's provisions for post-employment benefits through reductions in future employer's contributions is limited. The Council commissioned Hymans Robertson LLP an independent firm of actuaries, to calculate the asset ceiling for the Council. They have concluded that '*As the economic benefit available as a reduction in future contributions (the asset ceiling) is greater than the net position after allowing for agreed past service contributions, there is no additional liability to recognise, and no adjustment is required to the Net Asset / Liability'.*

Note 5. Assumptions Made About The Future And Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made using historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2024 for which there is significant estimation uncertainty that could result in a material adjustment within the forthcoming financial year are as follows:

Item	Uncertainties	Consequences if actual results differ from assumptions
Property, Plant & Equipment	<u>Other Land and Buildings:</u> Asset valuations are based on market prices (i.e. existing use values) and are periodically reviewed to ensure that the Council does not materially misstate its non-current assets. The Council's external	A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the Comprehensive

Item	Uncertainties	Consequences if actual results differ from assumptions
	valuers provided valuations as at 31 March 2024 for the operational portfolio, which was a detailed valuation of all assets (by value, c. 20% of portfolio), and assets valued using the DRC (excluding Public Conveniences). This was based on a remote desk-top exercise with the valuer providing a market review report for those assets not revalued during the financial year (See note iii).	Income and Expenditure Statement. If the value of the Council's operational properties were to reduce by 10%, this would result in a charge to the Revaluation Reserve and /or Comprehensive Income and Expenditure Statement of approximately £2.47 million. Any such charges to the Comprehensive Income and Expenditure Statement would be subsequently reversed through the Movement in Reserves Statement so there would be no impact on General Fund Balances. An increase in estimated valuations would result in increases to the Revaluation Reserve, and / or reversals of previous negative revaluations to the Comprehensive Income and Expenditure Statement, and / or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement. Any such gains to the Comprehensive Income and Expenditure Statement would be subsequently reversed through the Movement in Reserves Statement so there would be no impact on General Fund Balances.
Council Dwellings	<u>Council Dwellings:</u> The HRA residential portfolio is valued by the Council's external valuers based on a beacon methodology according to their EUV-SH. In order to value the whole portfolio an inspection of a sample of Beacons was undertaken with a desktop review of the remaining Beacon properties. It was necessary to research a number of information sources. These include sales of directly comparable property, changes of income flow for non-residential property, information available at a local level showing house price movement plus regional and National Indices.	A reduction in the estimate value of HRA dwellings would be a reduction in the Revaluation Reserve or a loss in the Comprehensive Income and Expenditure Statement. If the value of dwellings were to reduce by 10% this would lead to a reduction in value of approximately £0.08 million. Any such charges to the Comprehensive Income and Expenditure Statement would be subsequently reversed through the Movement in Reserves Statement so there would be no impact on HRA Balances. An increase in estimated valuations would result in increases to the Revaluation Reserve, and / or reversals of previous negative revaluations to the Comprehensive Income and Expenditure Statement, and / or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement. Any such

Item	Uncertainties	Consequences if actual results differ from assumptions
		gains to the Comprehensive Income and Expenditure Statement would be subsequently reversed through the Movement in Reserves Statement so there would be no impact on HRA Balances.
Investment Property & Investments/loans to Subsidiaries	The Council's external valuers use valuation techniques to determine the fair value of investment property. This involves developing estimates and assumptions consistent with how market participants would price the property. Availability of financial information relating to historic investments.	Estimated fair values may differ from the actual prices that could be achieved in an arm's length transaction at the reporting date. An increase or decrease in estimated valuations would result in gains or losses being recorded in the Comprehensive Income and Expenditure Statement. Any such gains or losses would be subsequently reversed through the Movement in Reserves Statement so there would be no impact on General Fund Balances. If the value of the Council's Investment Property were to reduce by 10%, this would result in a loss of approximately £1.38 million. If the value of the Council's Investments/loans to subsidiaries were to reduce by 10%, this would result in a loss of approximately £56 million.
Pensions Asset/ Liability	At 31 March 2024 the Council had a pensions net liability of £9.834 million. Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund investments. The firm of actuaries Hymans Robertson LLP is engaged to provide the Council with expert advice about assumptions to be applied. The accounts now include an asset ceiling, which is the present value of any economic benefit available to the employer in the form of refunds or reduced future employer contributions. There are risks and uncertainties associated with whatever assumptions are adopted. The Accounting Standard requires the assumptions to be determined on a 'best estimate' basis. However, the assumptions are in effect projections of future investment returns and demographic experience many years into the future and there is inevitably a great deal of uncertainty inherent in what constitutes 'best estimate' with such projections.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance: • 0.1% decrease in the real discount rate will increase the net pension asset by £2.607 million; • 0.1% increase in the assumed level of pension increases will increase the net pension asset by £2.546 million; • 0.1% increase in the salaries will increase the net pension asset by £0.106 million; and • Increase of one year in member life expectancy will increase the net pension asset by £6.054 million.
Impairment Allowance for Doubtful Debts	At 31 March 2024 the Council had a balance of short term debtors comprising other entities & individuals of £134.222 million. Against this debtors'	An understatement of doubtful debts would lead to a future adjustment and impairment to be

Item	Uncertainties	Consequences if actual results differ from assumptions
	balance, there is an impairment allowance of £5.341 million. It is not certain that this impairment allowance would be sufficient as the Council cannot assess with certainty which debts will be collected or not. The economic impact of the cost of living crisis continues to make the estimation of debt impairment more difficult as there is more uncertainty about the economic viability of debtors and hence their ability to settle their debts.	reflected. The impairment allowances held are based on expected credit losses. The nature of the debt and service area have been considered, and calculations have been updated to reflect the potential uncertainty of the collection rates as a result of the cost of living crisis.
Non-domestic Rates Provision for Outstanding Appeals	In 2023/24 the Council collected approximately net £49.613 million in business rates. Since 1 April 2013, local authorities have been liable for successful appeals against business rates charged to businesses in their proportionate share. The assumptions around the outcome of appeals against the NNDR valuations (either received to date or expected in future years) represent a material and critical judgement applied to the accounts. The provision is largely derived from appeals lodged to date, yet to be determined by the Valuation Office Agency (“VOA”) under the check, challenge and appeals process. The deadline for lodging an appeal against the 2017 valuation list was 31 March 2024. In addition, the VO has updated the rateable values of all businesses. And other non-domestic property in England and Wales. These rateable values took effect from 1 April 2023. A total provision for the Collection Fund of £1.780 million has been recognised as the best estimate of the amount that may be required to be repaid to businesses that have been overcharged up to 31 March 2024, of which the Council's share is £0.712 million.	The amount of the provision is uncertain as it is dependent on numerous factors including the likelihood of businesses lodging an appeal, the outcome of appeal cases, whether appeals will result in any change to the rateable value and the amount by which the rateable value is changed if successful. If the provision required is 5% greater than estimated, an increase of £0.089 million would be required to the total Collection Fund Provision; of which, the Council's attributable share would be £0.036 million.

Note 6. Events After the Reporting Period

The Statement of Accounts was authorised for issue on 16th January 2025. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provide information about conditions existing at 31 March 2024, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Section 114 Notice

During 2024/25, the Council remains in government intervention. As explained in the Explanatory Foreword, the Council continues discussions with MHCLG to secure ongoing Exceptional Financial Support into 2025/26.

Note 7. Supplementary Information to Note 1. Expenditure and Funding Analysis

Adjustments to arrive at the Comprehensive Income and Expenditure Statement amounts in 2023/24	**Adjustments for Capital Purposes (Note i) £000**	**Net change for the Pensions Adjustments (Note ii) £000**	**Other Differences (Note iii) £000**	**Total Adjustments £000**
Communities	4,589	-190	3,095	7,494
Place	13,083	-214	-13,684	-815
Corporate Resources	0	-267	24,938	24,671
Council Housing (Housing Revenue Account)	0	-297	-26	-323
Investment Programme - REFCUS (Note vi)	1,031	0	0	1,031
Investment Programme - Grants/Other Income (Notes vii)	0	0	219	219
	18,703	-968	14,542	32,277
Other income and expenditure from the Funding Analysis (Note v)	33,524	340	802,173	836,037
Difference between the General Fund and Comprehensive Income and Expenditure Surplus or Deficit (Note iv)	**52,227**	**-628**	**816,715**	**868,314**

Adjustments to arrive at the Comprehensive Income and Expenditure Statement amounts in 2022/23	**Adjustments for Capital Purposes (Note i) £000**	**Net change for the Pensions Adjustments (Note ii) £000**	**Other Differences (Note iii) £000**	**Total Adjustments £000**
People	6,556	545	0	7,101
Place	-168	582	0	414
Us	-57	561	15,028	15,532
Council Housing (Housing Revenue Account)	269	342	38	649
Investment Programme - REFCUS (Note vi)	8,369	0	0	8,369
Investment Programme - Grants/Other Income (Notes vii)	0	0	-13,931	-13,931
	14,969	2,030	1,135	18,134

Note 7. Supplementary Information to Note 1. Expenditure and Funding Analysis (continued)

Note i: Adjustments for Capital Purposes:

This column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Financing and investment income and expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

Note ii: Net Change for Pensions Adjustments:

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

- Services – the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs.
- Financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the CIES.

Note iii: Other Differences:

Other differences between amounts debited or credited to the Comprehensive Income and Expenditure Statement and amounts payable or receivable to be recognised under statute as follows:

- Services – the charge here represents the amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.
- Taxation and non-specific grant income and expenditure – the charge here represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future surpluses or deficits on the Collection Fund.

Also 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" which appear in "Net Cost Services" but are not included in People, Place and Us.
- Grants and other income (see note vii).

Note iv: Difference between the General Fund and Comprehensive Income and Expenditure Surplus or Deficit

Total adjustments agree 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.

Note v: Other income and expenditure from the Funding Analysis

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

Note vi: Investment Programme - REFCUS

Row includes write downs of Investment Programme projects classified as Revenue Expenditure Funded by Capital Under Statute (REFCUS).

Note vii: Investment Programme - Grants/Other Income

Row includes grants related to Investment Programme Projects.

Note 8. Adjustments Between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

	2022/23 £'000	2023/24 £'000
Surplus (-) or deficit for the year on the Comprehensive Income and Expenditure Statement	11,720	884,341
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		
Depreciation of fixed assets	-8,146	-7,994
Revaluation & impairment of fixed assets	-11,874	-32,609
Revaluation of assets held for sale	0	0
Capital grants with no outstanding conditions	13,700	3,366
Write down of Revenue Expenditure Funded by Capital Under Statute	-8,368	-1,457
Usable capital receipts used to offset Sale of Council Houses Admin	-9	-9
Non-current asset sale proceeds (Capital Receipt)	3,278	27,534
Non-current asset sale net book value	-3,058	-51,946
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	20
Adjustments made for accumulated absences	-68	68
Net charges made for retirement benefits in accordance with IAS19	-3,639	628
	-18,164	-62,399
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		
Minimum revenue provision for capital financing	8,194	8,238
Posting of HRA resources to Major Repairs Reserve	4,295	4,144
Transfer to/from Collection Fund adjustment account	3,427	2,771
Capital expenditure charged in-year to the General Fund Balance	0	0
Transfer from Capital Receipts Reserve to meet payments to the Housing Capital Receipts Pool	0	0
	15,916	15,153
Surplus (-) or deficit for year adjusted as required by regulation	**9,472**	**837,096**

Note 8. Adjustments Between Accounting Basis and Funding Basis Under Regulations (continued)

	2022/23 £'000	2023/24 £'000
Movement on the General Fund Balance		
Balance on General Fund brought forward	**1,500**	**1,500**
Surplus or deficit(-) for year adjusted as required by regulation (above)	-9,472	-837,096
Transfer to (-) or from (+) Housing Revenue Account Balance	-2,611	1,240
Transfer to (-) or from (+) Earmarked Reserves	12,083	14,787
Transfer to unusable reserve	0	821,068
Increase in General Fund Balance for the Year	0	0
Balance on General Fund carried forward	**1,500**	**1,500**

	2022/23 £'000	2023/24 £'000
Movement in Earmarked Reserves		
Balance brought forward	**30,837**	**18,754**
Transfer to (-) or from (+) General Fund Balance	-12,083	-14,787
Use of Earmarked Reserves to finance capital expenditure	0	0
Movement in year	-12,083	-14,787
Balance carried forward	**18,754**	**3,967**

Note 9. Transfers (To) / From Earmarked Reserves
This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure.

	Balance 1 April 2022 £'000	Transfers In £'000	Transfers Out £'000	Balance 1 April 2023 £'000	Transfers In £'000	Transfers Out £'000	Balance 31 March 2024 £'000
General Fund							
Investment Strategy Reserve	1,103	100	-1,203	0	53,088	-53,088	0
New Homes Bonus Reserve	1,325		-1,325	0			0
Equipment Reserve	530		-530	0			0
Business Rate Equalisation	3,196			3,196		-3,196	0
PFI Reserve	2,739	270		3,009		-3,009	0
Victoria Square Reserve	4,579		-4,579	0			0
MTFS Reserve	3,868		-3,868	0			0
Town Centre Management Agreement Reserve	570			570		-570	0
Off Street Parking Reserve	2,000			2,000		-2,000	0
Syrian, Afghan & Ukraine Refugee Reserve	1,193	1,057		2,250		-7	2,243
Homelessness Support Reserve	183			183		-183	0
HS2 Reserve	2,800			2,800		-2,800	0
Dukes Court Reserve	3,273		-893	2,380		-2,380	0
Other Reserves	870	0	-44	826	229	-819	236
	28,229	**1,427**	**-12,442**	**17,214**	**53,317**	**-68,052**	**2,479**
Housing Revenue Account							
Housing Investment Programme	2,608		-1,044	1,564		-52	1,512
Total Earmarked Reserves	**30,837**	**1,427**	**-13,486**	**18,778**	**53,317**	**-68,104**	**3,991**

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Note 9. Transfers (To) / From Earmarked Reserves (continued)

The earmarked reserves are held for the following purposes:

General Fund:

Investment Strategy Reserve - used to finance General Fund Investment Programme projects, and are earmarked, by memoranda, for specific uses. This reserve was fully utilised in 2022/23.

New Homes Bonus Reserve - created following the introduction of the funding by the government which is intended to fund infrastructure costs arising from developments including the Community Assets Programme. This reserve was fully utilised in 2022/23.

Equipment Reserve - earmarked for renewing minor items of equipment. This reserve was fully utilised in 2022/23.

Business Rate Equalisation - hold funds earmarked to mitigate fluctuations in business rates income.

PFI Reserve - hold funds earmarked for the PFI scheme at Moor Lane and to mitigate fluctuations in cash flows related to the scheme.

Victoria Square Reserve - 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. This reserve was fully utilised in 2022/23.

MTFS Reserve - holds 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. This reserve was fully utilised in 2022/23.

Town Centre Management Agreement Reserve - holds funds earmarked for the management of the highway network within the town centre. This reserve was fully utilised in 2023/24.

Off Street Parking Reserve - hold funds earmarked to supplement the income generated from new parking facilities while activity increases to projected levels.

Syrian, Afghan & Ukraine Refugee Reserve - hold funds earmarked for the Syrian. Afghan and Ukraine Refugee Programme. 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.

Homelessness Support Reserve - established 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.

HS2 Reserve - holds funds received by the Council for the future maintenance of graves which have been relocated by the HS2 project.

Dukes Court Reserve - established to create a fund to meet future landlord investment in the building and to meet any rental shortfalls.

Other Reserves - includes the insurance fund which was established to meet liabilities for which insurance cover was unavailable or not cost effective.

HRA:

Housing Investment Programme - used to finance HRA Investment Programme projects, and are earmarked, by memoranda, for specific uses.

Note 10. Expenditure and Income Analysed by Nature
Expenditure and income reflected in the Comprehensive Income Expenditure Statement is analysed by nature below.

Note 11. Movement on Non-current Assets

The table below and on the next page provides a reconciliation from the carrying amount of property, plant and equipment, investment property, heritage assets and intangible assets at the beginning of the period to the carrying amount at the end of the period with details of all movements.

		Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Community Assets	Investment Properties	Assets Under Construction	Intangible Assets	Heritage Assets	Surplus Assets	Assets Held For Sale	TOTAL
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation												
At 1 April 2023	**[A]**	339,012	160,392	29,620	15,106	346,725	56,249	1,002	884	0	0	**948,990**
Additions		4,318	1,895	611	93	551	70	3	0	0	0	**7,541**
Accumulated Depreciation & Impairment Written Off To Gross Carrying Amount			-965									**-965**
Revaluation increases/decreases(-) recognised in the Revaluation Reserve		889	20,111	0	0	0	0	0	0	0	0	**21,000**
Revaluation increases/decreases(-) recognised in the Surplus/Deficit on the Provision of Services		0	4,638	0	0	-13,785	-16,455	0	0	-6,843	-165	**-32,609**
Derecognition - Disposals		-5,504	-2,881	0	0	-43,658	-912	0	0	0	0	**-52,955**
Other Movement In Costs or Valuation		1,159	-2,790	0	0	10,383	-28,529	0		16,742	3,035	**0**
At 31 March 2024	**[B]**	**339,874**	**180,401**	**30,231**	**15,199**	**300,215**	**10,422**	**1,005**	**884**	**9,900**	**2,871**	**891,001**
Accumulated Depreciation & Impairment												
At 1 April 2023	**[C]**	-11,895	-5,663	-22,599	0	0	0	-893	0	0	0	**-41,050**
Depreciation Charge In Year		-4,144	-2,075	-1,733	0	0	0	-42				**-7,994**
Accumulated Depreciation & Impairment Written Off To Gross Carrying Amount			965									**965**
Derecognition - Other		0	0	0	0	0	0					**0**
At 31 March 2024	**[D]**	**-16,039**	**-6,772**	**-24,332**	**0**	**0**	**0**	**-935**	**0**	**0**	**0**	**-48,078**
Net Book Value												
At 31 March 2024	**[B]-[D]**	323,835	173,627	5,899	15,199	300,215	10,423	70	884	9,900	2,871	**842,922**
At 31 March 2023	**[A-C]**	327,117	154,729	7,021	15,106	346,725	56,249	109	884	0	0	**907,939**

Note 11. Movement on Non-current Assets (continued)

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Community Assets	Investment Properties	Assets Under Construction	Intangible Assets	Heritage Assets	Surplus Assets	Assets Held For Sale	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation											
At 1 April 2022 [A]	346,595	158,033	27,837	15,105	348,795	54,259	969	884	0	0	**952,477**
Additions	5,228	4,116	1,784	0	3,493	3,248	34	0		0	**17,903**
Accumulated Depreciation & Impairment Written Off To Gross Carrying Amount	0	-1,027	0	0	0	0	0	0		0	**-1,027**
Revaluation increases/decreases(-) recognised in the Revaluation Reserve	-11,112	5,686	0	0	0	0	0	0		0	**-5,425**
Revaluation increases/decreases(-) recognised in the Surplus/Deficit on the Provision of Services	0	-6,412	0	0	-5,462	0	0	0		0	**-11,874**
Derecognition - Disposals	-2,533	0	0	0	-100	-425	0	0		0	**-3,058**
Other Movement In Costs or Valuation	833	-4	-1	1	-1	-833	-1	0		0	**-6**
At 31 March 2023 [B]	**339,012**	**160,392**	**29,620**	**15,106**	**346,725**	**56,249**	**1,002**	**884**	**0**	**0**	**948,990**
Accumulated Depreciation & Impairment											
At 1 April 2022 [C]	-7,600	-4,561	-20,895	0	0	0	-850	0	0	0	**-33,906**
Depreciation Charge in year	-4,295	-2,129	-1,704	0	0	0	-43	0		0	**-8,171**
Accumulated Depreciation & Impairment Written Off To Gross Carrying Amount	0	1,027	0	0	0	0	0	0		0	**1,027**
At 31 March 2023 [D]	**-11,895**	**-5,663**	**-22,599**	**0**	**0**	**0**	**-893**	**0**	**0**	**0**	**-41,050**
Net Book Value											
At 31 March 2023 [B]-[D]	327,117	154,729	7,021	15,106	346,725	56,249	109	884	0	0	**907,939**
At 31 March 2022 [A-C]	338,995	153,472	6,942	15,105	348,795	54,259	119	884	0	0	**918,571**

Note 11. Movement on Non-current Assets (continued)

Heritage Assets:

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 2024 or 31 March 2023.

The Council owns the following heritage assets:

Heritage Assets	2022/23		2023/24	
	Number	£'000	Number	£'000
Fountains	1	100	1	100
Sculptures and Statues	8	303	8	303
Works of Art and Murals	11	223	11	223
Civic Regalia	5	168	5	168
Town Gates and War Memorial	2	90	2	90
Total	**27**	**884**	**27**	**884**

Non-operational Property, Plant and Equipment - Surplus Assets:

Fair Value Hierarchy & Valuation Techniques:

All of the Council’s surplus assets are measured at fair value on a recurring basis using other significant observable inputs, Level 2 on the fair value hierarchy.

The fair value measurement of the surplus assets is based on the market approach using current market conditions consisting of analysed and weighted market evidence such as sales, rentals and yields in respect of comparable properties in the same or similar locations at or around the valuation date. There has been no change in valuation technique and no transfers between levels of the fair value hierarchy in the year.

Highest and Best Use:

The fair value of the surplus assets has been estimated based on their highest and best use. The current use of these assets differs from their highest and best use in some cases. This is due to the fact that the assets are being held vacant and non-operational pending decisions regarding their future development or disposal by the Council.

Depreciation:

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

Council Dwellings (structure)	52 years
Other & Land Buildings	40 to 58 years
Vehicles, Plant, Furniture & Equipment	5 to 7 years

Assets Under Construction:

The balance of £10.4 million in Assets Under Construction at 31 March 2024 includes capital expenditure of £9.5 million incurred on 27/2/2019 and £0.9 million during 2019-20 to 2021-22 in the course of development at the reporting date.

Reclassifications:

In 2023/24, the following assets have been reclassified:

- Other Land & Building.
- Investment Property
- Assets Under Construction
- Surplus Assets
- Assets Held For Sale
- Council Dwellings.

In 2022/23, the following assets were reclassified:

- Council Dwellings
- Other Land & Buildings
- Investment Property
- Assets Under Construction

Revaluations:

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 2024.

Assets Under Construction and Vehicles, Plant, Furniture and Equipment values are based on their historical cost.

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

Properties regarded by the Council 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 annually at Fair Value at each reporting date . Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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 2023/24 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

Land and buildings assets not valued in year have been reviewed to confirm that their carrying amounts do not differ materially from their current value at 31 March 2024.

The significant assumptions used in estimating the current values are as follows:

- Good title can be shown and the property is not subject to unusual or onerous restrictions, encumbrances or outgoings;
- That an inspection of those parts not inspected would not reveal defects that would affect the valuation;
- That there are no deleterious or hazardous materials or existing or potential environmental factors that would affect the valuation; and
- That the property and its value are unaffected by any statutory notice or proposal or by any matters that would be revealed by a local search and replies to the usual enquiries and that neither the construction of the property nor its condition, use or intended use was, is or will be unlawful or in breach of any covenant.

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale.

<u>Assets Held for Sale:</u>

Assets held for Sale Assets are assets where the:

- Asset is immediately available for sale.
- Sale is highly probable.
- Asset is actively marketed.
- Sale is expected to be completed within 12 months.

A number of assets satisfied this criteria as at 31 March 2024 (There were no assets that satisfied the criteria as at 31 March 2023).

Note 12. Capital Commitments

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

Capital Commitments	2023 £'000	2024 £'000
Victoria Square	18,400	11,628
Car Park Management System	350	0
Sheerwater Regeneration	63,000	24,862
Total	**81,750**	**36,490**

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

Note 13. Financial Instruments

Financial instruments are recognised on the balance sheet when the Council becomes party to the contractual provisions of a financial instrument. They are classified based on the business model for holding the instruments and their expected cashflow characteristics.

Financial Liabilities:

Financial liabilities are initially measured at fair value and then at amortised cost. For the Council's borrowing this means that the amount presented in the balance sheet is the outstanding principal repayable (plus accrued interest). Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement ("CIES") are based on the carrying amount of the liability, multiplied by the rate of interest for the instrument.

Financial Assets:

To meet the financial instruments accounting standard requirements (IFRS 9), financial assets are now classified into one of three categories:

1. *Financial assets held at amortised cost* - represented by loans or loan type arrangements where repayments or interest and principal take place on set dates and at specified amounts. The amount presented in the Balance Sheet represents the outstanding principal due plus accrued interest. Interest credited to the CIES is the amount receivable as per the loan agreement.
2. *Fair Value through Other Comprehensive Income* - These assets are measured and carried at fair value. All gains and losses due to changes in fair value are accounted for through a reserve account with the balance debited or credited to the CIES when the asset is disposed of.
3. *Fair Value Through Profit or Loss* - These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are recognised in the CIES as they occur.

Allowances for impairment losses have been calculated for amortised cost assets applying the expected credit losses model. Changes in loss allowances (including balances outstanding at the date of derecognition of an asset) are taken to the Financing and Investment Income and Expenditure line in the CIES.

Note 13. Financial Instruments (continued)

Categories of Financial Instruments:

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

Categories of Financial Assets	Long Term 31 March 2023 £000	Long Term 31 March 2024 £000	Current 31 March 2023 £000	Current 31 March 2024 £000
Financial Assets				
Investments				
At amortised cost:				
Principal	37,808	6,615	0	0
Total Investments	**37,808**	**6,615**	**0**	**0**
Cash and Cash Equivalents				
At amortised cost:				
Principal	0	0	15,354	59,119
Total Cash and Cash Equivalents	**0**	**0**	**15,354**	**59,119**
Debtors				
At amortised cost:				
Trade receivables	18,063	17,658	32,770	87,474
Loss allowance	0	0	-6,672	-5,341
Loan to subsidiary	1,274,111	606,400	0	0
Loss allowance	0	0	0	0
Repayments due within 1 year	-14,897	-70,278	0	0
Accrued interest	0	0	13,034	179
Included in Debtors [1]	**1,277,277**	**553,780**	**39,132**	**82,312**
Total Financial Assets	**1,315,085**	**560,395**	**54,486**	**141,431**

Debtors Reconciliation to Balance Sheet [1]	Long Term 31 March 2023 £000	Long Term 31 March 2024 £000	Current 31 March 2023 £000	Current 31 March 2024 £000
Included in Financial Assets	1,277,277	553,780	39,132	82,312
Debtors that do not meet the definition of a financial asset:				
Statutory Debtors	0	0	5,816	4,038
Prepayments	0	0	918	1,387
Total Debtors	**1,277,277**	**553,780**	**45,866**	**87,737**

Note 13. Financial Instruments (continued)

Categories of Financial Instruments (continued):

Categories of Financial Liabilities	Long Term 31 March 2023* £000	Long Term 31 March 2024 £000	Current 31 March 2023* £000	Current 31 March 2024 £000
Financial Liabilities				
Borrowings				
Loans at amortised cost:				
Principal sum borrowed	1,749,601	1,719,700	225,932	384,306
Accrued interest	9,982	14,225	301	-170
Total Borrowings	**1,759,583**	**1,733,925**	**226,233**	**384,136**
PFI Liabilities				
Liabilities at amortised cost	21,979	20,650	1,253	1,329
Total Finance Lease Liabilities	**21,979**	**20,650**	**1,253**	**1,329**
Creditors				
Liabilities at amortised cost	14,344	16,552	16,090	20,464
Included in Creditors 2	**14,344**	**16,552**	**16,090**	**20,464**
Total Financial Liabilities	**1,795,906**	**1,771,127**	**243,576**	**405,929**

Creditors Reconciliation to Balance Sheet 2	Long Term 31 March 2023* £000	Long Term 31 March 2024 £000	Current 31 March 2023* £000	Current 31 March 2024 £000
Included in Financial Liabilities	14,344	16,552	16,090	20,464
Creditors that do not meet the definition of a financial liability:				
Statutory Creditors	0	0	16,316	10,102
Income in Advance	0	0	2,669	2,127
Total Creditors	**14,344**	**16,552**	**35,076**	**32,693**

* The 2022/23 comparatives have been restated to more accurately reflect the amounts of each financial instrument category.

Note 13. Financial Instruments (continued)

<u>Items of Income, Expense, Gains and Losses Recognised in the Comprehensive Income and Expenditure Statement</u>

The follow table provides a breakdown of the financial instrument items of income, expenditure and gains/ losses recognised in the CIES.

Financial instrument items of income, expenditure and gains/ losses recognised in the CIES	2022/23* Financial Liabilities: Amortised Cost £000	2022/23* Financial Assets: Amortised Cost £000	2022/23* Financial Assets: Fair value through profit and loss £000	2022/23* Total £000	2023/24 Financial Liabilities: Amortised Cost £000	2023/24 Financial Assets: Amortised Cost £000	2023/24 Financial Assets: Fair value through profit and loss £000	2023/24 Total £000
Interest Expense	51,238	0	0	51,238	61,861	0	0	61,861
Losses on Derecognition	0	0	0	0	0	0	0	0
(Gains)/Losses from change in fair value	0	0	0	0	0	0	0	0
Impairment losses (+increase/-decrease)	0	-756	0	-756	0	-213	0	-213
Fees Paid	0	0	0	0	0	0	0	0
Interest Payable and Similar Charges	**51,238**	**-756**	**0**	**50,482**	**61,861**	**-213**	**0**	**61,648**
Interest Income	0	-38,213	0	-38,213	0	10,489	0	10,489
Dividend Income	0	0	0	0	0	0	0	0
(Gains) / loss from changes in fair value	0	0	0	0	0	0		0
Interest and Investment Income	**0**	**-38,213**	**0**	**-38,213**	**0**	**10,489**	**0**	**10,489**
Recognised in the (surplus)/deficit on provision of services	**51,238**	**-38,969**	**0**	**12,269**	**61,861**	**10,276**	**0**	**72,137**
Net (Gain) / Loss for the Year	**51,238**	**-38,969**	**0**	**12,269**	**61,861**	**10,276**	**0**	**72,137**

* The 2022/23 comparatives have been restated to more accurately reflect the financial instrument amounts of reflected in the CIES.

The £10,489 debit in 23/24 is mainly due to the reversal of interest income accrued in 22/23 which has now been assessed as unlikely to be recovered.

Note 13. Financial Instruments (continued)

Financial Instruments Fair Values:

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 2024.
- 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.

Fair values are shown in the table on the next page. The analysis shows at which level in the fair value hierarchy that the instruments have been measured. The fair value hierarchy includes three levels as follows:

Level 1 Inputs: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date.

Level 2 Inputs: Other than quoted prices that are observable for the asset or liability, either directly or indirectly. E.g. interest rates or yields for similar instruments.

Level 3 Inputs: Unobservable inputs for the asset or liability. E.g. non-market data such as cash flow forecasts or estimated creditworthiness.

There have been no transfers between levels of the hierarchy or changes in valuation technique during the year.

Note 13. Financial Instruments (continued)

Financial Instruments Fair Values (continued):

The table below shows the fair value of financial liabilities held at amortised cost

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.

Fair value of Financial Liabilities	Fair Value Level	31 March 2023 Carrying Amount* £000	31 March 2023 Fair Value £000	31 March 2024 Carrying Amount £000	31 March 2024 Fair Value £000
Financial Liabilities held at amortised cost:					
PWLB Borrowing	2	1,985,816	1,478,164	2,118,061	1,507,928
Total		**1,985,816**	**1,478,164**	**2,118,061**	**1,507,928**
Liabilities for which fair value is not disclosed: 1		53,666		58,995	
Total Financial Liabilities		**2,039,482**		**2,177,056**	
Recorded on Balance Sheet as:					
Short Term Creditors		16,090		20,464	
Short Term Borrowing		226,233		384,136	
Short Term PFI Liabilities		1,253		1,329	
Long Term Creditors		14,344		16,552	
Long Term Borrowing		1,759,583		1,733,925	
Long Term PFI Liabilities		21,979		20,650	
Total Financial Liabilities		**2,039,482**		**2,177,056**	

* The 2022/23 comparatives have been restated to more accurately reflect the financial liabilities carrying amounts reflected on the balance sheet.

1 The fair value of short term financial liabilities including trade payables is assumed to be approximate to carrying amount.

Fair value of Financial Assets	Fair Value Level	31 March 2023 Carrying Amount £000	31 March 2023 Fair Value £000	31 March 2024 Carrying Amount £000	31 March 2024 Fair Value £000
Financial assets held at fair value:					
Money Market Funds	1	10,039	10,039	48,235	48,235
Shares in subsidiary	3	37,808	37,808	6,615	6,615
Financial assets held at amortised cost:					
Loans to Local Authorities	2	0	0	0	0
Loans to Subsidiary	3	1,259,214	1,259,214	536,122	536,122
Total		**1,307,061**	**1,307,061**	**590,972**	**590,972**

Note 13. Financial Instruments (continued)

Financial Instruments Fair Values (continued):

Assets for which fair value is not disclosed [1]	31 March 2023 Carrying Amount £000	31 March 2024 Carrying Amount £000
Bank Current Account	5,315	10,884
Trade Receivables	26,098	82,133
Long Term Debtors (excl. loan to subsidiary)	18,063	17,658
Accrued interest	13,034	179
Total Financial Assets	**1,369,571**	**701,826**
Recorded on Balance Sheet as:		
Long Term Debtors	1,277,277	553,780
Long Term Investments	37,808	6,615
Short Term Debtors	39,132	82,312
Cash and Cash Equivalents	15,354	59,119
Total Financial Assets	**1,369,571**	**701,826**

[1] The fair value of short term financial assets including current bank account balances and trade receivables is assumed to be approximate to carrying amount.

Note 14 Nature and Extent of Risks Arising from Financial Instruments

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

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

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 polices 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 are detailed in its Treasury Management, Capital, and Investment Strategies which accompany the budget reports for the year.

Note 14 Nature and Extent of Risks Arising from Financial Instruments (continued)

The Council does not generally allow credit for customers. £6.389m of the £15.141m sundry debtor balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

Liquidity Risk

During 2023/24 the Council identified that is had a serious shortfall as a result of its historic investment strategy that resulted in unaffordable borrowing and high values of unaffordable loans. The impairment of the Council's investments has been accounted for in 2023/24 as part of the Council' capitalisation direction.

The maturity analysis of all the Council's financial liabilities are as follows:

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

Market Risk

Interest Rate 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.

Note 14 Nature and Extent of Risks Arising from Financial Instruments (continued)

The current interest rate risk for the Council 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.

Note 15. Long Term Investments

The following table provides a breakdown of long term investments.

	31 March 2023 £'000	31 March 2024 £'000
Shareholdings in Companies		
Thameswey Limited	31,193	0
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
Dukes Court	0	0
Kingfield Community Sports Centre	500	500
Total	**37,808**	**6,615**

Note 16. Debtors

The following two tables provide a breakdown of long term and short term debtors.

(a) Long-Term Debtors

The Council has granted the following loans to its Group Companies and other organisations.

	31 March 2023 £'000	31 March 2024 £'000
Thameswey Energy Limited	8,526	8,526
Thameswey Central Milton Keynes Limited	36,725	7,250
Thameswey Housing Limited	283,045	180,417
Thameswey Housing (Sheerwater)	139,319	193,083
Thameswey Solar Limited	725	725
Thameswey Developments (THL)	47,250	47,250
Thameswey Developments (S/W Leisure)	10,743	11,250
Thameswey Developments (Sheerwater)	5,000	5,000
Thameswey Developments (TEL)	38,812	2,899
Rutland Woking Limited	1,632	0
Victoria Square Woking Limited	700,834	148,500
Mortgages	1,470	1,355
Greenfield School	13,138	13,081
Byfleet Scouts	100	100
Woking Football Club*	75	0
Freedom Leisure	1,573	1,502
Kingfield Community Sports Loan	1,500	1,500
Busyn Ltd\Gordon Ramsey	1,689	1,618
Other Long Term Debtors	18	2
Repayments due within 1 year	-14,897	-70,278
Total	**1,277,277**	**553,780**

* reclassified as short-term debtor in 2023/24

Note 16. Debtors (continued)

(b) Short-Term Debtors

	31 March 2023 £'000	31 March 2024 £'000
Government		
Other Central Government Bodies	3,261	304
Other Local Authorities	0	562
Non Government		
Local Tax Payers	2,555	3,172
Housing Rents, Rates & Water	2,603	2,528
Rechargeable Works	129	129
Sundry Debtors	15,142	14,539
Prepayments	918	1,387
Accrued Interest on Long Term Debtors	13,034	179
Long term Debtors amounts due within 1 year	14,897	70,278
Bad Debt Provision [1]	-6,672	-5,341
Total	**45,866**	**87,737**

The above includes prepayments.

[1] The Bad Debt Provision was made up of:

	2023 £'000	2024 £'000
Housing Rents	1,143	1,046
Other Sundry Debtors	1,882	968
Managing Agents	244	369
Benefits	1,284	1,336
Housing Deposits	495	541
Council Tax	276	365
Business Rates	1,342	712
Rechargeable Works	5	5
Total	**6,672**	**5,341**

Note 17. Creditors

The following table provide a breakdown of short-term creditors.

	31 March 2023 £'000	31 March 2024 £'000
Government		
Central Government Bodies	12,749	8,598
Other Local Authorities	3,567	1,504
Non Government		
Local Tax Payers	1,442	1,903
Housing Rents	628	602
Mortgagees	2	6
Rechargeable Works	84	83
Sundry Creditors	16,604	19,997
Total	**35,076**	**32,693**

Note 18. Capital Grants Received 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.

	31 March 2023 £'000	31 March 2024 £'000
Balance brought forward at 1 April	**17,465**	**14,344**
Capital grants receivable	7,910	3,162
Use of grant to finance capital expenditure	-11,031	-374
Use of grant to finance revenue projects	0	-199
Capital grant repaid	0	-97
Interest	0	-284
Total movement on Capital Grants	**-3,121**	**2,208**
Balance carried forward at 31 March	**14,344**	**16,552**

Of the total grants received in advance [in year], £1.198 million relates to contributions from developers (£0.943 million) in 2022/23).

Note 19. Cash and Cash Equivalents

The following table provide a breakdown of cash and cash equivalents.

	31 March 2023 £'000	31 March 2024 £'000
Cash	5,315	10,884
Federated Prime Rate Liquidity Fund	10,039	48,235
Total	**15,354**	**59,119**

Note 20. Provisions

The following table provides a breakdown of the provisions.

	Long Term Land Charges £000	Long Term Business Rate Appeals £000	Long Term Total £000
Balance brought forward at 1 April	**23**	**2,685**	**2,708**
Increase in Provision	0	810	810
Amounts used	0	-1,768	-1,768
Balance brought forward at 31 March	**23**	**1,727**	**1,750**

<u>Land Charges</u>

The Council is the subject of claims resulting from charging for land charge personal searches and has made a provision in respect of these potential future liabilities.

<u>Business Rates Appeals</u>

Since the introduction of the Business Rates Retention Scheme effective from 1 April 2013, local authorities are liable for successful appeals against business rates charged to businesses in 2023/24 and earlier financial years in their proportionate share. Therefore, a provision of £1.727 million was recognised at 31 March 2024 for the Council's attributable share of the best estimate of the amount that may be required to be repaid to businesses that had been overcharged up to 31 March 2024.

The latest information from the Valuation Office Agency (“VOA”) has been used to estimate the provision required at 31 March 2024. The provision for the 2017 list is derived from appeals lodged to date, yet to be determined by the VOA under the Check, Challenge and Appeals process. The deadline for lodging an appeal against the 2017 valuation list was 31 March 2024. In addition, the VOA has updated the rateable values of all businesses, and other non-domestic property, in England and Wales.

These future rateable values took effect from 1 April 2023. A provision for this list has been calculated on the same basis as the 2017 list. This has resulted in an increase to the Council’s share of the provision by £0.810 million.

Note 21. 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:

The movement on the PFI non-current assets are shown below:

	2022/23 £'000	2023/24 £'000
Cost		
As at 1 April	30,814	30,814
As at 31 March	**30,814**	**30,814**
Depreciation		
As at 1 April	3,374	3,984
Charged in year	610	610
As at 31 March	**3,984**	**4,594**
Net Book Value		
As at 31 March	**26,830**	**26,220**
As at 1 April	27,440	26,830

(b) Liabilities arising from PFI and similar contracts:

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

	2022/23 £'000	2023/24 £'000
As at 1 April	24,472	23,232
Finance lease liability redemption payments during the year	-1,240	-1,253
As at 31 March	**23,232**	**21,979**
Of which:		
Short-term liability	1,253	1,329
Long-term liability	21,979	20,650
As at 31 March	**23,232**	**21,979**

Note 21. Private Finance Initiative (continued)

(c) Payments to be made under PFI and similar contracts:

The Council was committed at 31 March 2024 to making the following payments under the PFI scheme:

	Repayments of Liability £'000	Interest £'000	Lifecycle replacement £'000	TOTAL £'000
Due within one year	1,329	1,616	144	3,089
Due within 2-5 years	6,210	5,345	800	12,355
Due within 6-10 years	8,234	3,976	3,233	15,443
Due within 11-15 years	6,206	1,193	6,889	14,288
Total	**21,979**	**12,130**	**11,066**	**45,175**

Note 22. Useable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement with further analysis provided in Note 8 Adjustments Between Accounting Basis and Funding Basis Under Regulations and Note 9 Transfers To / From Earmarked Reserves.

A description of the nature and purpose of the Council's usable reserves is set out below.

(a) General Fund:

The General Fund is the statutory fund into which all the receipts of the Council are required to be paid and out of which all the liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment at the end of the financial year. However, the balance is not available to be applied to funding HRA services. The detail of the movement on the General Fund Balance is shown in note 1 Expenditure and Funding Statement.

(b) Earmarked Reserves – GF and HRA:

These are reserves into which amounts are set aside from the General Fund and HRA balances in order to provide financing for future expenditure plans and from which amounts are posted back to meet General Fund and HRA expenditure. The details of each earmarked reserve are provided in note 9 Transfers To / From Earmarked Reserves.

(c) Housing Revenue Account:

The Housing Revenue Account (HRA) Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function. The detail of the movement on the Housing Balance is shown in note 1 Expenditure and Funding Statement, and the Statement of Movement in the Housing Revenue Account Balance.

(d) Major Repairs Reserve:

The Council is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. In previous years, the amount transferred to this reserve was based on a historical Major Repairs Allowance. With effect from 2017/18, the amount transferred into the reserve is based on the total of depreciation for the year charged to the HRA. The balance on the reserve shows the resources that have yet to be applied at the year end.

Note 22. Useable Reserves (continued)

(d) Major Repairs Reserve (continued):

The table below shows the detail of the movement in the Major Repairs Reserve:

	2022/23 £'000	2023/24 £'000
Balance brought forward at 1 April	**611**	**1,041**
HRA Depreciation transferred from Capital Adjustment Account	4,295	4,144
Expenditure financed from the Major Repairs Reserve	-3,865	-4,082
Total movement on the Major Repairs Reserve	430	62
Balance carried forward at 31 March	**1,041**	**1,103**

(e) Capital Receipts Reserve:

The Usable Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at year end.

The table below shows the detail of the movement in the Capital Receipts Reserve:

	2022/23 £'000	2023/24 £'000
Balance brought forward at 1 April	**7,595**	**7,414**
Movements in realised capital resources		
Amounts receivable	17,646	27,939
Amounts used to offset Sale of Council Houses Admin	-9	-9
Application of Receipts for Repayment of Debt	-14,368	-405
Amounts applied to finance new capital expenditure	-3,450	-1,514
Total increase/decrease(-) in realised capital resources	-181	26,011
Balance carried forward at 31 March	**7,414**	**33,425**
Held for other investment programme use	7,414	33,425
Total	**7,414**	**33,425**

(f) Capital Grants Unapplied Account:

The Capital Grants Unapplied Account holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

Note 22. Useable Reserves (continued)

(f) Capital Grants Unapplied Account (continued):

The table below shows the detail of the movement in the Capital Grants Unapplied Account:

	2022/23 £'000	2023/24 £'000
Balance brought forward at 1 April	**4,681**	**3,142**
Usable capital grants receivable	13,700	2,992
Use of current year capital grants to finance capital expenditure	-15,239	-3,201
Total movement on Capital Grants Unapplied account	**-1,539**	**-209**
Balance carried forward at 31 March	**3,142**	**2,933**

Note 23. Unusable Reserves

(a) Revaluation Reserve:

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

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

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

The table below shows the detail of the movement in the Revaluation Reserve:

	2022/23 £'000	2023/24 £'000
Balance brought forward at 1 April	**115,068**	**108,655**
Movements in unrealised value of fixed assets		
Gains \ losses(-) on revalution of fixed assets	-5,425	21,000
Depreciation On Revalued Assets	-988	-1,044
Total increase in unrealised capital resources	**-6,413**	**19,956**
Value of assets sold, disposed of or decommissioned		
Amounts written off fixed asset balances for disposals	0	-1,010
Balance carried forward at 31 March	**108,655**	**127,601**

Note 23. Unusable Reserves (continued)

(b) Pensions Reserve:

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and the funding of benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income & Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to the pension fund, or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

The table below shows the detail of the movement in the Pension Reserve:

	2022/23 £'000	2023/24 £'000
Balance brought forward at 1 April	**-67,232**	**-21,876**
Difference between amounts charged to the Comprehensive Income and Expenditure Statement and actual amounts payable in the year	-3,639	628
Actuarial gains/(losses)	48,995	11,415
Total movement on the pension reserve	**45,356**	**12,043**
Balance carried forward at 31 March	**-21,876**	**-9,833**

(c) Capital Adjustment Account:

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

The Account contains accumulated gains and losses on Investment Properties. It also contains revaluation gains on Property, Plant & Equipment accumulated before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 9 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

Note 23. Unusable Reserves (continued)

(c) Capital Adjustment Account (continued):

The table below shows the detail of the movement in the Capital Adjustment Account:

	2022/23 £'000	2023/24 £'000
Balance brought forward at 1 April	**81,520**	**81,803**
Amounts applied to Capital Investment:		
Useable receipts applied	3,450	1,514
Amounts applied from Major Repairs Reserve	3,865	4,082
Total amounts applied to Capital Investment	**7,315**	**5,596**
Amounts transferred to the General Fund balance		
Write down Revenue Expenditure Funded by Capital Under Statute	-8,368	-1,457
Grants and Contributions applied	15,256	3,576
Provision for loan repayment (MRP)	8,194	8,238
Less: Depreciation	-3,875	-3,850
Plus: Depreciation on Revalued Assets	988	1,044
Capitalisation Direction & Loan Impairment	0	-819,210
Transformation Expenditure	0	-1,514
Total transfer to the General Fund	**12,194**	**-813,173**
Transfer HRA depreciation to Major Repairs Reserve	-4,295	-4,144
Write down of long term debtors	-14,368	-405
Repayment of Debt Using Capital Receipt	14,368	405
Disposal Of Fixed Assets	-3,058	-51,946
Reduce Dispsal to Recognise Development Expenditure Written Off	0	665
Grant (Receipt in Advance) Repaid	0	97
Investment Property Revaluations	-5,462	-13,785
Revaluation increase\decreases recognised in the Provision of Services	-6,412	-18,824
Total increase in amounts set aside to finance capital investment	**283**	**-895,514**
Balance carried forward at 31 March	**81,803**	**-813,711**

Note 23. Unusable Reserves (continued)

(d) Financial Instruments Adjustment Account:

The Financial Instruments Adjustment Account was introduced in 2007/08. The Opening Balance represented the impact of restating Lender Option Borrower Option (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.

The table below shows the detail of the movement in the Financial Instruments Adjustment Account:

23(d) FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

	2022/23 £'000	2023/24 £'000
Balance brought forward at 1 April	**-925**	**-906**
Movements in financial instruments		
Overhanging premia written off to I&E	16	16
Being adjustment to I&E to reflect LOBO Effective Interest Rate	3	4
Total adjustment in financial instruments	**19**	**20**
Balance carried forward at 31 March	**-906**	**-886**

(e) Employee Benefits Reserve:

The Employee Benefits Reserve absorbs the differences that would otherwise arise on the General Fund Balance and Housing Revenue Account Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance and Housing Revenue Account Balance is neutralised by transfers to or from the Account.

The table below shows the detail of the movement in the Employee Benefits Reserve:

	2022/23 £'000	2023/24 £'000
Balance brought forward at 1 April	**-407**	**-475**
Movement in year - General Fund	-30	42
Movement in year - HRA	-38	26
Total adjustment	**-68**	**68**
Balance carried forward at 31 March	**-475**	**-407**

(f) Collection Fund Adjustment Account:

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income and non-domestic rates income in the Comprehensive Income & Expenditure Statement as it falls due from the council taxpayers and business ratepayers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	31 March 2023 £'000	31 March 2024 £'000
Balance on Collection Fund Adjustment Account:		
- Council Tax	426	73
- Business Rates	-1,726	1,398
Balance carried forward at 31 March	**-1,300**	**1,471**

Note 24. Officer Remuneration, Exit Packages and Termination Benefits

Officer Remuneration

The remuneration paid to the Council's senior employees is shown below. Individuals whose remuneration is £150,000 or more per year must be named whereas those earning below £150,000 must be identified by way of job title alone.

Post holder information (Post title)	--- 2022/23 ---	--- 2023/24 ---				
	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 & 8)	180,964	167,223	0	167,223	26,822	194,045
Director of Legal and Democratic Services (Note 2 & 6)	110,468	97,218	0	97,218	16,013	113,231
Finance Director (Chief Finance Officer)	92,914	0	0	0	0	0
Interim Director of Finance (S151 Officer) (Note 3)	0	115,200	0	115,200	0	115,200
Director of Neighbourhood Services (Note 6)*	89,342	0	0	0	0	0
Strategic Director - Place (Note 6)	135,209	0	0	0	0	0
Strategic Director (Interim) - Place (Note 5)	0	93,940	0	93,940	15,793	109,733
Strategic Director - Communities (Note 4 & 6)	130,302	116,172	0	116,172	19,500	135,672
Strategic Director - Corporate resources (Note 6)	86,440	138,298	0	138,298	22,997	161,294

* The 2022/23 total remuneration for this post has been restated to correct an error [previously disclosed as £166,763].

Note 24. Officer Remuneration, Exit Packages and Termination Benefits (continued)

Footnotes to table on previous page:

1 Chief Executive started on 1st April 2021. Julie Fisher was in post for the whole financial year 2023-24 and left the employment of the Council on 31/03/2024.

2 Director of Legal and Democratic Services in post for whole financial year 2023/24.

3 Director of Finance (S151 Officer) was interim and left the employment of the Council on 31/03/2024.

4 In 2022/23 post of Director of Housing was replaced with post of Strategic Director - Communities.

5 In 2022/23 post of Director of Planning was replaced with post of Strategic Director - Place.

6 Includes payments for a Borough Election held on 4th of May 2023.

Remuneration Banding:

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 the table on the previous page.

Remuneration band	Number of Employees 2022/23	2023/24
£50,000 to £54,999	12	15
£55,000 to £59,999	15	13
£60,000 to £64,999	10	10
£65,000 to £69,999	9	8
£70,000 to £74,999	9	9
£75,000 to £79,999	2	9
£80,000 to £84,999	2	2
£85,000 to £89,999	2	1
£90,000 to £94,999	1	3
£95,000 to £99,999	1	2
£100,000 to £104,999	0	0
£105,000 to £109,999	0	0
£110,000 to £114,999	1	0
£115,000 to £119,999	1	2
£120,000 to £124,999		0
£125,000 to £129,999		0
£130,000 to £134,999	0	0
£135,000 to £139,999		1
£140,000 to £144,999		0
£145,000 to £149,999		1
£150,000 to £154,999	1	0
£155,000 to £159,999		1
£160,000 to £164,999		0
£165,000 to £204,999	-	1
Total	**66**	**78**

Note 24. Officer Remuneration, Exit Packages and Termination Benefits (continued)

Exit Packages:

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

Cost band	Number of Employees	
	2022/23	2023/24
£0 - £20,000	4	12
£20,001 - £40,000	4	6
£40,001 - £60,000	2	2
£60,001 - £80,000	1	0
£80,001 - £100,000	0	0
Total	**11**	**20**

Termination Benefits:

The total cost of termination benefits to the authority's Comprehensive Income and Expenditure Statement in the current year is £0.386 million (£0.302 million in 2022/23). There were no voluntary redundancies in 2023/24, 20 compulsory redundancies (in 2022/23 there were 11 voluntary and no compulsory redundancies). The redundancies were as a consequence of phases 1 and 2 of the staffing restructure across the Council.

Note 25. Members Allowances

Members' Allowances of £0.260 million are included in the Comprehensive Income and Expenditure Statement for 2023/24, compared with £0.285 million for 2022/23. This includes telephone, broadband, Blackberry/iPad, travel and dependant care allowances. In addition, all Members qualify for Car Park Season tickets.

Note 26 External Audit Costs

The Council has incurred the following costs (exclusive of VAT) in relation to the audit of the Statement of Accounts and the certification of grant claims.

	2022/23 £'000	2023/24 £'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	
- for the certification of grant claims and returns	15	
Total	**57**	**0**

Note 27 Related Parties

The only material related party relationships involving Members or Chief Officers in 2023/24 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 2023/24, are detailed fully in note 13 and note 16(a).

The Council paid Thameswey Energy Limited (TEL) £2.7m for the provision of energy services to council owned properties and £3.57m Thameswey Housing Ltd for ongoing works. Income of £196k was received from the sale of surplus energy, rents and in respect of administrative support and trademark licence fees.

The Council made loans to Thameswey Housing Limited for Sheerwater Purple Phase, £21.94m, Thameswey Housing Limited for Sheerwater Recovery Business Plan, £31.68m, and Victoria Square Woking Ltd, £13.54m, to provide the companies with resources to advance their businesses.

Note 27 Related Parties (continued)

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. 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.

Note 28 Grant Income

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement:

Credited to Taxation and Non-specific Grant Income and Expenditure	2022/23 £'000	2023/24 £'000
S31 Reliefs	2,412	3,043
Green Plant & Machinery	0	52
Revenue Support Grant	0	93
New Homes Bonus	231	1,221
Transparency Grant**	0	8
PFI Credit	2,915	2,915
Lower Tier Services/Services Grant	245	86
Levy Surplus Grant	18	18
Household Support Grant	407	326
New Burdens Grant*	253	11
Local Council Tax Support Scheme*	80	0
Covid - Self Isolation Funding	17	0
Covid - Covid Additional Relief Fund	1,386	0
Covid - Contain Outbreak Management Fund	497	0
Capital Grants and Contributions**	1,338	3,367
Total	**9,799**	**11,140**

The above amounts are included in Taxation and Non-Specific Grant Income and Expenditure.

* in 2023/24 these grants have been credited to services.
** in 2022/23 some of these grants have been credited to services.

Note 28 Grant Income (continued)

Credited to Services	2022/23 £'000	2023/24 £'000
Syrian, Afghan and Ukraine Refugee Families	2,026	954
Homelessness/Rough Sleepers Grants	760	859
Domestic Abuse	37	39
New Burdens Grant***	0	104
Local Council Tax Support Scheme***	0	110
Council Tax Care leavers exemption	0	18
Planning Skills Delivery	0	77
Housing Benefit Subsidy	16,263	16,691
Housing Benefit Subsidy Administration	188	176
Capital Grants and Contributions****	13,700	0
Non-domestic Rates Cost of Collection Allowance	131	132
Local Authority Housing Fund	718	1,675
Pavement Licensing New Burdens	3	3
UK Shared Property Fund (revenue)	25	65
Transparency Grant****	8	0
Covid - Reopening High Streets Safely Fund	46	0
Redmond Review Implementation	18	0
Total	**33,923**	**20,903**

The above amounts are included in net cost of services.

*** in 2022/23 these grants have been credited to taxation and non-specific grant income and expenditure.

**** in 2023/24 these grants have been credited to taxation and non-specific grant income and expenditure.

The Council credited the following grants and contributions to the Balance Sheet:

Grants where the Council is acting as a Agent (Covid related)	2022/23 £'000	2023/24 £'000
Council Tax Energy Rebate Grant	4,426	0
Total	**4,426**	**0**

Note 29 Agency

The following were agency arrangements:

The Council administered town centre maintenance functions on behalf of Surrey County Council in 2023/24 and 2022/23.

In 2022/23, the Council administered on-street parking arrangements in Woking and Surrey Heath, bus lane enforcement, and tree and verge maintenance on behalf of Surrey County Council.

Rent was collected on behalf of Thameswey Housing Limited and paid over to them in 2022/23 but was not recorded as income or expenditure in the Council's own financial statements.

Note 29 Agency (continued)

The Council also acted as an agent for the government in the payment of some COVID grants, for example; business grants, test and trace, council tax rebate grants and council tax energy rebate grants. At 1 April 2022 the balance of the grants [net of amounts expended at that point in time] was £10.044 million with £7.263 million expended and £4.426 million council tax energy rebate grant being received, in the year. At 1 April 2023 the balance of the grants [net of amounts expended at that point in time] was £7.207 million with £7.201 million expended in the year, leaving a balance of grants at 31 March 2024 of £0.006 million.

Note 30 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown below, together with the resources that have been used to finance it.

Capital Investment	2022/23 £'000	2023/24 £'000
Property, Plant and Equipment	14,376	6,987
Investment Properties	3,493	551
Intangible Assets	34	3
Transformation expenditure	0	1,514
Revenue Expenditure Funded from Capital under Statute	8,368	1,457
	26,271	**10,512**
Investments in Group Companies - Loans	125,533	67,308
Long Term (LT) Debtors	1,449	0
Total	**153,253**	**77,821**

Sources of Finance	2022/23 £'000	2023/24 £'000
Capital Grant and Contributions	15,256	3,576
Borrowing - Capital Investment	3,672	1,247
Borrowing - Other	127,010	67,309
Reserves	3,865	4,082
Capital Receipts	3,450	1,514
Total	**153,253**	**77,728**

Note 30 Capital Expenditure and Capital Financing (continued)

Where the capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase to the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

Capital Financing Requirement	2022/23 £'000	2023/24 £'000
Opening Capital Financing Requirement	2,019,029	2,127,149
Increase in underlying need to borrow (unsupported by government financial assistance)	130,682	68,556
Repayment of Debt Using Capital	-14,368	-405
Minimum revenue provision	-8,194	-8,238
Closing Capital Financing Requirement	**2,127,149**	**2,187,062**

Note 31 Operating Leases

Council as Lessee [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.

	Lease Payments	
	2022/23 £'000	2023/24 £'000
Property	1,036	1,023
Vehicles	284	170
Total	**1,320**	**1,193**

The future lease payments in future years are shown below:

	Lease payments due:		
2023/24	Within 1 year £'000	2-5 years £'000	Over 5 years £'000
Property	304	383	2,523
Vehicles	132	203	0
Total	436	586	2,523

	Lease payments due:		
2022/23	Within 1 year £'000	2-5 years £'000	Over 5 years £'000
Property	461	688	2,598
Vehicles	218	165	20
Total	**679**	**853**	**2,618**

Council as Lessor [operating leases]

The Council generates income from property that it leases out. In 2023/24 this income amounted to £24.9 million [£22.8 million in 2022/23].

The provision for irrecoverable debts has been decreased by £0.549 million reflecting a change from the difficult financial environment experienced by some tenants during the pandemic last year. Ongoing leases will generate future income of £14.40 million in 2024/25, £36.82 million in 2025/26 to 2027/28 and £63.76 million from 2028/29 onwards.

Note 32 Defined Benefit Pension Scheme

As part of the terms and conditions of employment of its employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme ("LGPS") for its employees, administered by Surrey County Council ("SCC"), which is a defined benefit scheme. It is also a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. Contribution rates for 2023/24 were determined at the formal triennial actuarial valuation of the Fund on 31 March 2022.

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 465, Reigate, RH2 2HA.

The Surrey Pension Fund is operated under the regulatory framework for the Local Government Pension Scheme. SCC is the designated statutory body responsible for administering the Surrey Pension Fund on behalf of the constituent Scheduled and Admitted Bodies. The Pensions Committee has delegated authority for all pension related investment and administration decisions on behalf of the Administering Authority; SCC.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large scale withdrawals from the scheme), changes to inflation, bond yields, and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies note.

Formal actuarial valuations are carried out every three years, where each employer's assets and liabilities are calculated on a detailed basis, using individual member data, for cash contribution setting purposes. The 31 March 2022 formal valuations for English and Welsh LGPS Funds were concluded by 31 March 2023.

<u>Discretionary Post-retirement Benefits</u>

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

<u>Transactions Relating to Post-employment Benefits</u>

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against Council Tax is based on the cash payable in the year, so the real cost of post-employment / retirement benefits is reversed out of the General Fund and Housing Revenue Account via the Movement in Reserves Statement.

The following transactions on the next two pages have been made in the Comprehensive Income and Expenditure Statement and the General Fund balance via the Movement in Reserves Statement during the year:

Note 32 Defined Benefit Pension Scheme (continued)

Transactions Relating to Post-employment Benefits (continued)

Comprehensive Income and Expenditure Statement	2022/23 £'000	2023/24 £'000
Cost of Services		
Service Cost comprising:		
Current service cost*	5,648	3,155
Past service cost including curtailments	7	-454
Financing and Investment Income & Expenditure		
Net interest expense	1,838	1,001
Total post-employment benefits charged to the (Surplus)/Deficit on the Provision of Services	**7,493**	**3,702**
Other Post-employment Benefits Charged to Other Comprehensive Income & Expenditure		
Remeasurement of the Net Defined Benefit Liability comprising:		
Return on plan assets (excluding the amount included in the net interest expense)	-5,278	8,624
Actuarial (gains) and losses arising on changes in demographic assumptions	3,562	859
Actuarial (gains) and losses arising on changes in financial assumptions	66,979	6,692
Actuarial (gains) and losses arising on changes based on other experience **	-16,268	-4,760
Changes in effect of asset ceiling ***	0	0
Total post-employment benefits recognised in Other Comprehensive Income and Expenditure	**48,995**	**11,415**

* The current service cost includes an allowance for administration expenses of 0.4% of payroll [0.3% for 2022/23].

** The other experience [2023/24] includes an allowance of £4.679 million for the April 2024 pension increase order impact.

*** The impact of the asset ceiling relates to the present value of any economic benefits available to the Council in the form of refunds or reduced future employer contributions. The amount is measured according to the accounting requirements of accounting standard IFRIC 14. For the Council the asset ceiling is nil (£).

Movement in Reserves Statement	2022/23 £'000	2023/24 £'000
Reversal of net charges made to the (Surplus)/Deficit on Provision of Services for post-employment benefits in accordance with the Code	-7,493	-3,702
Actual amount charged against the General Fund Balance for pensions in the year:	3,853	4,330
Total movement	**-3,640**	**628**

Note 32 Defined Benefit Pension Scheme (continued)

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as follows:

Balance Sheet	**2022/23 £'000**	**2023/24 £'000**
Present value of funded liabilities	-146,691	-147,262
Present value of unfunded liabilities	-4,215	-4,088
Fair value of plan assets	129,029	141,516
Changes in effect of asset ceiling	0	0
Net (liability)/asset arising from the defined benefit obligation	**-21,877**	**-9,834**

Reconciliation of the Movements in the Fair Value of Plan Assets	**2022/23 £'000**	**2023/24 £'000**
Opening fair value of plan assets at 1 April	130,986	129,029
Interest income	3,519	6,077
Remeasurement (gains) and losses:		
Return on plan assets (excluding the amount included in the net interest expense)	-5,278	8,624
Actuarial gains arising on changes based on other experience	911	0
Contributions from employer	3,534	3,990
Contributions from employer in respect of unfunded benefits	319	340
Contributions from employees into the scheme	855	1,022
Benefits paid	-5,498	-7,226
Unfunded Benefits paid	-319	-340
Changes in effect of asset ceiling	0	0
Closing fair value of plan assets at 31 March	**129,029**	**141,516**

Note 32 Defined Benefit Pension Scheme (continued)

Pensions Assets and Liabilities Recognised in the Balance Sheet (continued)

Reconciliation of the Present Value of the Scheme Liabilities	**2022/23 £'000**	**2023/24 £'000**
Opening balance at 1 April	198,218	150,906
Current service cost	5,648	3,155
Past service cost	7	-454
Interest cost	5,357	7,078
Remeasurement (gains) and losses:		
Actuarial (gains) and losses arising on changes in demographic assumptions	-3,562	-859
Actuarial (gains) and losses arising on changes in financial assumptions	-66,979	-6,692
Actuarial gains arising on changes based on other experience	17,179	4,760
Contributions from employees into the scheme	855	1,022
Benefits paid	-5,498	-7,226
Unfunded Benefits Paid	-319	-340
Closing balance at 31 March	**150,906**	**151,350**
Comprising:		
Present value of funded liabilities	-146,691	-147,262
Present value of unfunded liabilities	-4,215	-4,088
	-150,906	**-151,350**

The fair value of the plan assets held at 31 March 2024 comprised the following classes of assets. The values in the table below are at bid value as required under IAS19.

Asset Category	**Total as at 31 March 2023 £'000**	**Percentage of Total Assets %**	**Total as at 31 March 2024 £'000**	**Percentage of Total Assets %**
Equity Securities	11,509	9%	11,317	8%
Private Equity	18,273	14%	21,660	15%
Real Estate	7,775	6%	6,950	5%
Investment Funds and Unit Trusts	89,114	69%	99,481	70%
Derivatives	-344	0%	-81	0%
Cash	2,702	2%	2,189	2%
Total	**129,029**	**100%**	**141,516**	**100%**

Note 32 Defined Benefit Pension Scheme (continued)

Basis for Estimating Assets & Liabilities

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 Local Government Pension Scheme defined benefit liability has been estimated by Hymans Robertson LLP, an independent firm of actuaries, based on approximate roll forward methods for the accounting valuation as at 31 March 2024, using financial assumptions that comply with IAS19.

To calculate the asset share, the assets disclosed at 31 March 2024 have been rolled forward allowing for investment returns (estimated where necessary), contributions paid into, and estimated benefits paid from, the Fund by and in respect of the Employer and its employees.

Assumptions

The significant assumptions used by the actuary are shown below.

Financial Assumptions	31 March 2023 % p.a.	31 March 2024 % p.a.
Pension Increase Rate	3.0%	2.80%
Salary Increase Rate	3.8%	4.00%
Discount Rate	4.8%	4.75%

Mortality Assumptions	31 March 2023 Years	31 March 2024 Years
Longevity at 65 for current pensioners:		
Males	22.4	22.2
Females	24.8	24.6
Longevity at 65 for future pensioners*:		
Males	23.2	23
Females	26.3	26.0

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

Sensitivity Analysis

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out above. The sensitivities regarding the principal assumptions used to measure the scheme liabilities are shown below. These have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method.

Change in Assumptions at 31 March 2024	Approximate % increase to Defined Benefit Obligation	Approximate monetary amount (£'000)
0.1% decrease in Discount Rate	2%	2,607
1-year increase in Member Life Expectancy	4%	6,054
0.1% increase in Salary Increase Rate	0%	106
0.1% increase in Pension Increase/ Revaluation Rate	2%	2,546

Note 32 Defined Benefit Pension Scheme (continued)

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible using a stability overlay mechanism which dampens down short term market volatility subject to certain limits.

The Council expects to pay employer's contributions for the period to 31 March 2025 of approximately £4.222 million.

The table below summaries the membership data as at 31 March 2022 (this is the latest information provided by the actuary) for members receiving funded and unfunded benefits.

	Salary/ Pensions as at 31 Mar 2024 £'000
Active members	13,193
Deferred members	1,305
Pensioner members	4,898
Unfunded Pensioners*	363

* position as at 31 March 2024

Note 33 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.

Note 34 Contingent Liabilities and Assets

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 2024. The review identified that the maximum cost for Woking was £0.544 million (£0.544 million at 31 March 2023).

S106 dispute

In November 2023, the Council was advised that a developer was requesting the repayment of S106 monies [c. £1.261 million plus interest] for a perceived beach of the S106 agreement. The Council disputes this claim.

Suitable Alternative Natural Greenspace (SANG)

In November 2014 the Council entered into a Suitable Alternative Natural Greenspace (SANG) agreement with a third party. Under the agreement the Council collects developer contributions and holds them to maintain SANG sites over an 80 year period. There is a legal dispute over the commitments under the agreement.

Loan to Greenfield School

The Council has previously provided loan finance to Greenfield School, a private school with charitable status based in Woking, to support its relocation and development. At 31 March 2024, the value of these outstanding loans in the Council's balance sheet totalled £13.1m. Post year-end (November 2024), Greenfield School informed the Council that it would be unable to make its next repayment scheduled for 25 November 2024.

To address this, it has been agreed to seek independent, external, professional advice on the viability and risks of the loan. The advice will include an assessment of the viability of the school's longer-term plans to continue repaying the loans. Once the advice is received, the Council will be able to make an informed assessment around the recoverability of the loans. At this stage, it is important to disclose the possibility that the loan will have to be impaired in future years.

Contingent Assets

Housing Infrastructure Fund (HIF) Grant

In July 2019 the Council was awarded a Housing Infrastructure Fund (HIF) grant under the HIF scheme administered by Homes England on behalf of the Ministry of Housing, Communities and Local Government. This was to be used on the widening of Victoria Arch project. This project has now been cancelled. The Council incurred significant expenditure in carrying out the project. Approximately £2m of the expenditure incurred and financed by Woking Borough Council may be covered by the deed of termination settlement.

Retention

The sale of a Council asset [Cleary Court], included a retention of £0.095 million which may became payable to the Council in the future in the form of a compensation payment, in line with the contract terms.

Note 35 Cashflow: Adjust Net Surplus/Deficit (-) For Non-cash Movements

The net surplus/deficit on the provision of services has been adjusted for the following non-cash movements and cash movements that are investing and financing activities:

	2022/23 £'000	2023/24 £'000
Net surplus/(deficit) on the provision of services	-11,720	-884,341
Less		
Depreciation, impairment and amortisation		
- General Fund	3,875	3,850
- HRA	4,295	4,144
Revaluation gain/loss on Investment Property	5,462	13,788
Reversal of NCA historic losses with subsequent gains	6,412	-4,638
Capital items charged/(credited) to General Fund Balance*	-13,700	-3,366
Net increase/(decrease) in other assets and liabilities	20,181	
Net increase/(decrease) in Provisions (Long Term Liabilities)	89	-958
Net charges for retirement benefits in accordance with IAS19	3,639	-628
Loan impairment		766,193
Other non-cash items	10	13,286
Net cash flow from Operating Activities	**18,543**	**-92,671**

* Cash movement that is an investing activity

Note 36 Cashflow: 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 2023/24 or 2022/23. Interest paid and received re shown below.

	2022/23 £'000	2023/24 £'000
Interest paid	50,599	4,245
Interest received	28,015	13,034
Dividends received	-	

Note 37 Capitalisation Direction & Calculation of Impairment of Shareholding\Loan Advances

In March 2024 the then Department for Levelling Up, Housing and Communities (DLUHC) provided an "in principle" Capitalisation Direction of the £331m to the Council under the Department's Extraordinary Financial Support programme. The Capitalisation Direction was issued in response to the S.114 Notice issued by the s.151 officer to the Council in June 2023. The s.114 Notice highlighted that the Council faced a significant unfunded financial deficit arising from financial challenges which have arisen over a number of years.

The Capitalisation Direction permits the Council to charge to capital, expenditure which would otherwise be revenue expenditure and then to finance the capitalised revenue expenditure from capital resources, namely by applying usable capital receipts and in the short-term setting aside minimum revenue provision.

The Capitalisation Direction covers the period to 31 March 2024. It has been used as follows:

CAPITALISATION DIRECTION (CD) DISCLOSURE OF MATERIAL ITEMS OF INCOME & EXPENSE

	2023/24 CD £'000	2023/24 Outturn £'000
Impairement of revenue loan advance	155,000	155,000
Reversal of interest income accrued in 2022/23	12,800	12,800
Loss of interest from companies in 2023/24	44,000	42,671
Interest on loans to complete VSWL and Sheerwater Projects	2,000	2,000
Reversal of overstated recharges to the HRA	5,800	5,800
2023/24 Overspend	8,700	5,844
Opening 2023/24 Reserve Deficit	6,800	-16,117
Total	235,100	207,998

Impairment of shareholdings in and loans advanced to Victoria Square Woking Ltd (VSWL) and ThamesWey group

As part of the Council's financial recovery programme, external advisors have identified a range of options for divesting from VSWL and the ThamesWey group to minimise the risk of further financial liability to the Council. All the options involve a significant potential impairment of the shareholdings and loan advances. Based on the average of the options, the total impairment is £766m. Of this £155m relates to loans advanced for a revenue purpose, which has to be charged to the General Fund and is included in the CD above. The remaining £611m relates to statutorily defined capital expenditure, so is not a charge to the General Fund but is charged to the Capital Adjustment Account via the Movement in Reserves Statement in accordance with statutory requirements.

CALCULATION OF IMPAIRMENT OF SHAREHOLDING AND LOAN ADVANCES

	Shares £'000	Loans £'000	Total £'000
Balances prior to impairment - VSWL & TW *	31,193	1,334,919	1,366,112
Impairment - capital loans/shareholdings	-31,193	-580,019	-611,212
Impairment - revenue loans		-155,000	-155,000
Total Impairment	-31,193	-735,019	-766,212
Net carrying amount after impairment	0	599,900	599,900

* Victoria Square Woking Ltd (VSWL) and Thameswey Limited (TW)

Housing Revenue Account Income & Expenditure Statement

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with international financial reporting standards, rather than the amount to be funded from rents and government grants. The Council charges rents to cover expenditure in accordance with regulations; this may be different from the accounting cost.

	2022/23 £'000	2023/24 £'000
Income		
Dwelling Rents & Service Charges	-17,367	-18,921
Charges for services and facilities	-1,200	-1,708
Contribution towards expenditure	-110	-428
Other income		-589
TOTAL INCOME	**-18,677**	**-21,646**
Expenditure		
Repairs and Maintenance	2,537	4,397
Supervision and Management	5,399	8,609
Rents, Rates, Taxes and other Charges	160	215
Depreciation of fixed assets	4,295	4,144
Gain)/Loss on revaluation [and impairment] of non-current assets		0
TOTAL EXPENDITURE	**12,392**	**17,365**
NET INCOME OF HRA SERVICES INCLUDED IN THE WHOLE AUTHORITY COMPREHENSIVE INCOME AND EXPENDITURE	**-6,285**	**-4,280**
Debt Management Costs	71	3
Interest payable and similar charges	5,487	5,497
Interest and investment income	-460	-211
Pensions interest cost and expected return on pensions assets (note 7)	349	190

Movement of the Housing Revenue Account Statement

The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

	2022/23 £'000	2023/24 £'000
Surplus (-) or deficit for the year on the HRA income and expenditure account	**-838**	**1,198**
Adjustments between the accounting basis and funding basis under regulations (see analysis below)	-729	94
Net increase (-) or decrease before transfers to/from reserves	**-1,567**	**1,292**
Transfer to or from (-) HIP reserve	-1,044	-52
Increase (-) or decrease in Housing Revenue Account Balance for the Year	**-2,611**	**1,240**
Balance on Housing Revenue Account brought forward	337	2,948
Balance on Housing Revenue Account carried forward	**2,948**	**1,708**

Adjustments between accounting basis and funding basis under regulations	**2022/23 £'000**	**2023/24 £'000**
HRA share of transfers to the accumulated absences account	-38	-26
HRA share of transfers to the pensions reserve	-691	120
Reversal of depreciation of fixed assets	-4,295	-4,144
Reversal of revaluations and impairment of fixed assets	0	0
Transfer to the major repairs reserve	4,295	4,144
Amounts of non-current assets written off on disposal or sale as part of gain/loss on disposal	-2,533	-5,504
Transfer to the usable capital receipts reserve	2,533	5,504
Total	**-729**	**94**

Notes to the Housing Revenue Account

Note 1 Housing Stock

The numbers and types of dwellings in the Council's housing stock at 31 March are as follows:

	31 March 2023	31 March 2024
	Stock Numbers	
Houses	1,338	1,336
Flats (including maisonettes)	1,701	1,702
Bungalows	241	241
Total	**3,280**	**3,279**

The Council was responsible for the management of 3,279 dwellings (including Shared Ownership properties) at 31 March 2024,. as compared with 3,280 at 31 March 2023.

Note 2 Stock Valuation

The balance sheet values of the assets within the Council's HRA are as follows:

	Value as at 31 March 2023 £'000	Movement £'000	Value as at 31 March 2024 £'000
Operational Assets			
Housing Property	326,709	-3,291	323,417
Leasehold Property	409	9	417
	327,117	-3,283	323,835
Non Operational Assets			
Development Land	2,474	0	2,474
	2,474	0	2,474
Total	**329,591**	**-3,283**	**326,308**

Council Dwellings Valuation Basis

Council dwellings are revalued annually, for resource accounting purposes, according to their existing use for social housing. Under this method, the open market value of the stock is reduced by a regional adjustment factor determined in accordance with Government guidance to reflect the status of the properties as social housing. The details of the factor used and the corresponding open market (vacant possession) values of council dwellings are set out below.

Council Dwellings Let at Social Rents:

The regional adjustment factor used for dwellings let at social rents is 67% (2022/23, 67%), thereby reducing the balance sheet value of these dwellings to 33% (2022/23, 33%) of their open market value.

The open market (vacant possession) value of these dwellings at the valuation date of 31 March 2024 was £960.835 million, as valued by the valuers Wilks Head & Eve LLP, compared with the value of £323.835 million for its existing use as social housing which is reflected in the balance sheet.

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.

Note 3 Depreciation

Depreciation of the housing stock has been calculated using the existing use for social housing valuation of individual building components and the useful economic lives determined for each.

Depreciation charges to the HRA have been made as follows:

	2022/23	2023/24
	£'000	**£'000**
Council Dwellings	4,295	4,144
Total	**4,295**	**4,144**

Note 4 Capital Expenditure and Financing

The total capital expenditure and source of funding during the year within the HRA is shown below:

	2022/23 £'000	2023/24 £'000
Capital Expenditure		
Houses	5,549	4,318
Total	**5,549**	**4,318**
Source of Funding		
Major Repairs Reserve	3,865	4,082
Borrowing	638	37
Capital Receipts	1,046	0
Section 106	0	0
Grant	0	199
Total	**5,549**	**4,318**

Note 5 Major Repairs Reserve

The Major Repairs Reserve is an earmarked fund to which the Council transfers an amount annually to support capital spending on council dwellings. The analysis of the movement on the Major Repairs Reserve for the year is shown below:

	2022/23 £’000	2023/24 £’000
Balance brought forward at 1 April	**611**	**1,041**
Expenditure financed from Major Repairs Reserve	-3,865	-4,082
Depreciation transferred from Capital Adjustment Account	4,295	4,144
Balance carried forward at 31 March	**1,041**	**1,103**

Note 6 Rent Arrears and Impairment Allowance for Uncollectable Debts

Rent Arrears

Rent arrears as at 31 March were as follows:

	31 March 2023 £'000	31 March 2024 £'000
Current Tenants	906	817
Former Tenants	652	665
Total	**1,558**	**1,482**
Arrears as a % of Gross Rent Income	**8.39%**	**7.19%**

Impairment Allowance for Uncollectable Debts

The amount to be set aside from revenue to provide for non-payment of rent is determined by reference to the nature and level of the arrears outstanding at the end of the financial year. The balance sheet impairment allowance in respect of uncollectable rent debts as at 31 March 2024 is £1.045 million; (£1.143 million in 2022/23).

Note 7 Pensions

The cost of retirement benefits are recognised 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:

	2022/23 £'000	2023/24 £'000
Net Cost of Services:		
▪ Service cost	1,073	599
▪ Past service costs (including curtailments)	1	-86
	1,074	513
Net Operating Expenditure:		
▪ Interest cost	1,018	1,345
▪ Expected return on assets in the scheme	-669	-1,155
	349	190
Net liability on HRA I&E		
▪ Employers' contributions payable to scheme	-1,424	-703
▪ Contribution in respect of unfunded benefits	671	758
▪ Movement on pensions reserve	61	65
	-692	120
Total	**731**	**823**
Actual amounts charged against rents for pensions in the year		
Employers' contributions payable to scheme	671	758
Contributions in respect of unfunded benefits	61	65
Total	**732**	**823**

The employers' contribution payable to the scheme is shown within Supervision and Management. The adjustment of £0.310 million represents the difference between the cash contributions receivable to the scheme (£0.120 million) and service costs (£0.190 million).

Note 8 Capital Receipts

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

	2022/23 £'000	2023/24 £'000
Houses	2,279	1,751

Collection Fund Statement

2022/23				2023/24		
Council Tax	Business Rates	Total		Council Tax	Business Rates	Total
£'000	£'000	£'000		£'000	£'000	£'000
			INCOME			
92,257	0	92,257	Council Tax Receivable (Note 1)	95,953	0	95,953
0	42,593	42,593	Business Rates Receivable	0	49,613	49,613
92,257	**42,593**	**134,850**	**TOTAL INCOME**	**95,953**	**49,613**	**145,566**
			EXPENDITURE			
			Apportionment of Previous Year Surplus/(deficit)			
0	-5,219	-5,219	Central Government	0	-2,473	-2,473
12	-4,175	-4,163	Woking Borough Council	304	-1,978	-1,674
79	-1,044	-965	Surrey County Council	1,517	-495	1,022
17	0	17	Surrey Police and Crime Commissioner	282	0	282
108	-10,438	-10,330		2,103	-4,946	-2,843
			Precepts, Demands and Shares			
0	21,485	21,485	Central Government	0	25,049	25,049
10,607	17,188	27,795	Woking Borough Council	11,212	20,039	31,251
67,526	4,297	71,823	Surrey County Council	71,377	5,010	76,387
12,272	0	12,272	Surrey Police and Crime Commissioner	13,234	0	13,234
90,405	42,970	133,375		95,823	50,098	145,921
			Charges to Collection Fund			
0	-68	-68	Write Offs / Write Backs (-) of uncollectable amounts	0	8	8
525	1,112	1,637	Increase / Decrease (-) in Bad Debt Provision	648	-1,081	-433
0	220	220	Increase / Decrease (-) in Provision for Appeals	0	-2,395	-2,395
0	593	593	Transitional Protection Payments to Government	0	0	0
0	131	131	Cost of Collection	0	132	132
525	1,988	2,513		648	-3,336	-2,688
91,038	**34,520**	**125,558**	**TOTAL EXPENDITURE**	**98,574**	**41,816**	**140,390**
1,219	8,073	9,292	SURPLUS / DEFICIT (-) ARISING DURING THE YEAR	-2,621	7,797	5,176
1,927	-12,375	-10,448	SURPLUS / DEFICIT (-) B/FWD AT 1ST APRIL	3,146	-4,302	-1,156
3,146	**-4,302**	**-1,156**	**SURPLUS / DEFICIT (-) C/FWD AT 31ST MARCH**	**525**	**3,495**	**4,020**

Notes to the Collection Fund

Note 1 Collection Fund

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

Any Collection Fund surplus or deficit declared by the billing authority in relation to council tax is apportioned to the relevant precepting bodies in the subsequent financial year.

Since April 2013, the business rates retention scheme has been in operation. This allows local authorities and fire and rescue authorities to retain a proportion of any increases in non-domestic rates revenue to invest in local services. This also increases the financial risk borne by local authorities in respect of non-collection of non-domestic rates. Any Collection Fund surplus or deficit in relation to non-domestic rates is apportioned to Government and to the local precepting bodies in the subsequent financial year.

Note 2 Council Tax Base and Yield

The council tax base for 2023/24 was calculated in accordance with the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012. There are eight valuation bands in which dwellings are placed for council tax purposes, from band A at the lower end to band H for the highest value properties. Council tax is calculated in terms of band D, which is the median band. As different amounts of tax are payable in respect of each valuation band, the number of dwellings in the various bands must be converted to a “band D equivalent” to allow council tax to be calculated as a "Band D" amount. The calculation of the 2023/24 council tax base and expected yield is set out below.

Band	Number of Chargeable Dwellings	Ratio (Ninths)	Equivalent Number of Band D Dwellings	Estimated Yield at Band D Tax £’000
Band A	234.00	6	156.00	351
Band B	2,409.70	7	1,874.21	4,215
Band C	8,875.50	8	7,889.33	17,741
Band D	10,670.10	9	10,670.10	23,995
Band E	5,631.10	11	6,882.46	15,477
Band F	3,894.80	13	5,625.82	12,651
Band G	4,890.00	15	8,150.00	18,327
Band H	750.70	18	1,501.40	3,376
			42,749.32	96,133
Less allowance for losses on collection, appeals and Council Tax Support			-138.32	-311.05
Council Tax Base and Expected yield			**42,611.00**	**95,822**

For 2023/24 the Band D equivalent was 42,719.32. 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 effect of applying these assumptions was a tax base of 42,611.00 for the whole of the Borough.

The actual yield for the year was £95.953 million (includes £0.092 million discounts funded by the Council); the difference of £0.131 million 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 £95.953 million is reflected in the Collection Fund Income and Expenditure Account.

Note 3 Non-domestic Rates

Rateable Value

Every non-domestic property in England, unless it is exempt, has a rateable value. This figure broadly represents the yearly rent a property could have been let for on the open market on a particular date. The Valuation Office Agency revalues properties every five years. For the revaluation that took effect from 1 April 2023, this date was set as 1 April 2021. The rateable value for the Council's area at 31 March 2024 was £129,779,664

Multiplier

Each year the Government sets two multipliers or 'poundages'. Details of the two multipliers for 2023/24 are as follows:

- The small business multiplier - applies to those who qualify for small business relief, was set at 49.9 pence in the pound.
- The standard multiplier - applies to everyone else, was set at 51.2 pence in the pound.

Retained income

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 sets 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 2023/24, Woking Borough Council paid a tariff of £18.611 million to the Government (this amount is net of a £0.119 million reduction to the tariff as a result of the business rates revaluation). The tariff is contained within the non domestic rates income and expenditure line in the Comprehensive Income and Expenditure Statement.

Surrey and Sutton Business Rates Pool

In 2023/24 Woking Borough Council was a member of the Surrey and Sutton Business Rates Pool, along with Epsom and Ewell, Runnymede, Spelthorne, Surrey County, Surrey Heath, and Sutton. There has been a business rates pool in Surrey since 2013/14 (first year of the scheme).

The benefit of pooling is that local authorities in the pool can be better off collectively through a reduction in the amount of levy [being growth in business rates above a certain threshold]. The arrangements for the Surrey and Sutton Business Rates Pool are that this retained levy is allocated 50% (split based on levy) to the districts and 50% (split based top-up) to the County Council and Sutton.

In 2023/24 the Surrey and Sutton Business Rates Pool achieved a net Pool gain which was distributed to the Pool members in proportion shares as highlighted above. The Council's estimated share of the gain was £0.666 million.

The Pooling arrangements will continue in 2024/25.

Note 4 Distribution of Collection Fund Balance

The Collection Fund Balance at 31 March 2024 was £4.020 million (-£1.156 million at 31 March 2023). 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 2023/24, the Business Rates deficit is split based on nationally determined percentages between Central Government (50%), Woking Borough Council (40%) and Surrey County Council (10%).

	Estimated Surplus/ Deficit (-) for 2023-24 paid 2024-25 £'000	Remaining Surplus/ Deficit (-) £'000	Total @ 31 March 2024 £'000
Council Tax			
Woking Borough Council	126	-53	73
Surrey County Council	776	-323	453
Surrey Police and Crime Commissioner	58	-59	-1
	960	**-435**	**525**
Business Rates			
Central Government			1,748
Woking Borough Council			1,398
Surrey County Council			349
			3,495
Collection Fund Balance			**4,020**

Glossary of Terms

Accounting Period
The length of time covered by the accounts. In the case of these accounts, it is the year from 1 April to 31 March.

Accruals Basis
The accruals principle is that income is recorded when it is earned rather than when it is received, and expenses are recorded when goods or services are received rather than when the payment is made.

Actuarial Gains and Losses
Changes in the estimated value of the pension fund because events have not coincided with the actuarial assumptions made or the assumptions themselves have changed.

Balances
These represent the accumulated surplus of revenue income over expenditure.

Budget
An expression, mainly in financial terms, of the Council's intended income and expenditure to carry out its objectives.

Budget Requirement
The amount each local authority estimates as its planned spending, after deducting funding from reserves and any income expected to be collected (excluding Council Tax and Government Grants). This requirement is then offset by Government Grant, the balance being the amount needed to be raised in Council Tax.

Capital Adjustment Account
The Account accumulates (on the debit side) the write-down of the historical cost of non-current assets as they are consumed by depreciation and impairments or written off on disposal. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure. The same process applies to capital expenditure that is only capital by statutory definition (Revenue Expenditure Funded by Capital Under Statute, REFCUS). The balance on the account thus represents timing differences between the amount of the historical cost of non-current assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

Capitalisation Direction (CD)
A Capitalisation Direction must be agreed by MHCLG and is a mechanism that allows expenditure that would otherwise be charged to revenue to be capitalised.

Capital Expenditure
Payments for the acquisition, construction, enhancement or replacement of non-current assets that will be of use or benefit to the Council in providing its services for more than one year. Capital expenditure also includes Revenue Expenditure Funded from Capital Under Statute.

Capital Receipts
Income received from the sale of land and other capital assets, a proportion of which may be used to finance new capital expenditure subject to the provisions of the Local Government Act 2003.

Cash Equivalents
Short term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Chartered Institute of Public Finance and Accountancy ("CIPFA")
CIPFA is the main professional body for accountants working in public services.

Collection Fund
A fund administered by the Council as a billing authority. The fund records the receipts from council tax and non-domestic rates and the payments of the relevant shares of the surplus or deficit arising on the fund to the major precepting authorities and to Central Government.

Community Assets
Assets that the Council intends to hold in perpetuity, that have no determinable useful life and which may, in addition, have restrictions on their disposal. The class largely comprises open land. They are

classified as operational assets in that their use as parkland provides or supports the relevant services of the Council.

Creditors
Amounts owed by the Council for work done, goods received or services rendered, for which payment has not been made at the balance sheet date.

Current Service Cost
Current Service Cost is the increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period, i.e. the ultimate pension benefits "earned" by employees in the current year's employment.

Current Value
The amount that would be exchanged for an asset in its existing use. Operational property, plant & equipment assets are measured at current value reflecting the economic environment prevailing for the service or function that the asset is supporting at the reporting date.

Debtors
Amounts due to the Council that have not been received at the balance sheet date.

Depreciation
The measure of the consumption, wearing out or other reduction in the useful economic life of non-current assets that has been consumed in the period.

Employee Benefits
Amounts due to employees including salaries, paid annual leave, paid sick leave, and bonuses. These also include the cost of employer's national insurance contributions paid on these benefits; and the cost of post-employment benefits, i.e. pensions.

Expected Rate of Return on Pensions Assets
The average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the pension scheme.

Fair Value
The amount for which an asset could be exchanged or a liability settled, in an orderly transaction between market participants at the measurement date.

Fair Value Hierarchy and Inputs
In measuring fair value of assets and liabilities, the valuation technique used is categorised according to the extent of observable data that is available to estimate the fair value – this is known as the fair value hierarchy. Observable inputs refers to publicly available information about actual transactions and events in the market. Unobservable inputs are used where no market data is available and are developed using the best information available.
The fair value hierarchy has three levels of inputs:

- Level 1: Quoted prices for identical items in an active market – i.e. the actual price for which the asset or liability is sold;
- Level 2: Other significant observable inputs – i.e. actual prices for which similar assets or liabilities have been sold;
- Level 3: Unobservable inputs – i.e. where market data is not available and other information is used in order to arrive at a best estimate of fair value.

Finance Lease
A lease that transfers substantially all the risks and rewards of ownership of an asset to the lessee (even though title to the property may not be transferred). The asset is recognised on the Balance Sheet of the lessee.

Financial Instrument
Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term covers both financial assets and financial liabilities, from straightforward trade receivables (invoices owing) and trade payables (invoices owed) to complex derivatives and embedded derivatives.

General Fund
The main revenue fund of the Council which is used to meet the cost of services paid for from Council Tax, Government Grant and fees and charges.

Heritage Asset
A tangible asset with historic, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

Housing Revenue Account
A separate account, maintained by law that accounts for the income and expenditure related to the Council's housing stock. The General Fund cannot subsidise the Housing Revenue Account and vice versa.

Impairment
A reduction in the value of a non-current asset below its value brought forward in the Balance Sheet. Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in an asset's market value and evidence of obsolescence or physical damage to the asset.

Intangible Assets
Assets that do not have physical substance but are identifiable and controlled by the Council. Examples include software and licences.

Leasing
A method of acquiring the use of capital assets for a specified period for which a rental charge is paid.

Liability
An amount due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are those that are payable within one year of the balance sheet date.

Minimum Revenue Provision
An amount to be set aside each year from revenue to repay the principal amounts of external loans outstanding.

Non-domestic Rates ("NDR") - also known as Business Rates
A levy on business property, based on a national rate in the pound – known as the Multiplier – applied to the rateable value of the property. The Government determines the NDR Multiplier to be used each year. Billing Authorities collect non-domestic rates and account for this through the Collection Fund. Any surplus or deficit arising on the fund is distributed to the major precepting authorities and to central government in their proportionate shares in the subsequent year. The major precepting authority for Woking is Surrey County Council.

Net Book Value
The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value, less the cumulative amount provided for depreciation.

New Homes Bonus
New Homes Bonus is a grant payable to councils from Government, for increasing the number of homes in the Council's area.

Non-Current Asset
An item that yields benefit to the Council for a period of more than one year.

Operating Lease
A lease that does not transfers substantially all the risks and rewards of ownership of an asset to the lessee. The asset is not recognised on the Balance Sheet of the lessee.

Past Service Cost
Past service costs arise from decisions taken in the current year but whose financial effect is derived from service earned in earlier years.

Precept
The amount levied by various authorities that is collected by the Council on their behalf.

Provisions
Amounts set aside to meet liabilities or losses which it is anticipated will be incurred but where the amount or timing of the costs is uncertain.

Public Works Loans Board ("PWLB")
A statutory body operating within the United Kingdom Debt Management Office, an Executive Agency of HM Treasury. The PWLB is the major provider of loans to local authorities.

Reserves
The residual interest in the assets of the Council after deducting all of its liabilities. These are split into two categories, usable and unusable. Usable reserves are those reserves that contain resources that an authority can apply to fund expenditure of either a revenue or capital nature (as defined). Unusable reserves are those that an authority is not able to utilise to provide services. They hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences between expenditure being incurred and its financing e.g. Capital Adjustment Account.

Revenue Expenditure
Spending incurred on the day-to-day running of the Council. This mainly includes employee costs, general running expenses and capital financing costs.

Revenue Expenditure Funded by Capital under Statute ("REFCUS")
Legislation in England and Wales allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the balance sheet as a fixed asset. Examples include works on property owned by other parties, renovation grants and capital grants to other organisations.

Revenue Support Grant
Central Government financial support towards the general expenditure of local authorities.

Specific Government Grants
Central Government financial support towards particular services which is provided with certain restrictions regarding the expenditure that may be funded from it.

Useful Economic Life
The period over which the Council expects to derive benefit from non-current assets

Woking Borough Council

Annual Governance Statement

Appendix 1

Woking Borough Council

Annual Governance Statement

2023 - 2024

1.0 **Introduction**

This statement reflects the Council's assessment of its governance arrangements as at 31 March 2024. In the 2022/23 Annual Governance Statement (AGS), it was noted that following the reporting date of that report (31 March 2023) the full extent of the Council's financial circumstances had become apparent, and it was the subject of intervention by Government appointed Commissioners and had issued a Section 114 report. The report also noted that the incoming auditors, Grant Thornton, were asked to undertake a Value for Money Review. These matters are considered in this 2023/2024 AGS.

The Council continues to be on an improvement journey to address a variety of issues. This journey both delivers improvements and also exposes further areas of weakness that need to be addressed. The attention to **Principle F** within the seven principles – **managing risks and performance through robust internal control and strong public financial management** – highlights the extent of the improvements to governance arrangements that need to be established in order to give the assurances required.

A significant amount of work has been undertaken and improvements made but this needs to be enhanced and embedded into the organisation so that it is consistently applied, understood, and adopted in the way the Council undertakes its business.

Whilst the Council will rightly now focus on the future and its recovery, it also has a responsibility to ensure it learns the lessons from the past and the decisions and actions that have contributed to the challenges it is now facing. This will be in the interests of the public and communities of Woking. Grant Thornton has produced a Value for Money report and the Council will consider recommendations arising from it at its extraordinary meeting on 20 November 2024.

2.0 **Scope of responsibility**

Woking Borough Council is responsible for ensuring that:

- Its business is conducted in accordance with the law and proper standards,
- Public money is safeguarded and properly accounted for, and
- Resources are used economically, efficiently and effectively.

The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council 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 Council 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 seven core principles each with sub principles. These are considered in more detail in section 0 (review of effectiveness).

This statement is the outcome of a review which explains how the Council addresses 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 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.

3.0 **The purpose of the governance framework**

Governance comprises the arrangements put in place to ensure that 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, processes, culture and values by which the Council is directed and controlled, and the activities through which it accounts to, engages with and leads the community. It enables the Council 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 level of trust in public services and is therefore fundamental to the Council's relationship with customers and residents. Trust in public services is also influenced by the quality of services received and by how open and honest a Council is about its activities.

A framework for the implementation of good governance allows the Council 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 governance framework in place for the 2023/24 Municipal Year comprises the Local Code of Corporate Governance, the Member decision making structure, and the company governance protocol.

The system of internal control is a significant part of the 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.

4.0 **Review of effectiveness**

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its system of internal control.

The arrangements required for gathering assurances for the preparation of the AGS provide an opportunity for the Council to consider the robustness of the governance arrangements in place and to consider this as a corporate issue that affects all parts of the Council. It also helps to highlight those areas where improvement is required, which are contained in the Improvement and Recovery Plan put in place following the Government intervention.

The review of effectiveness is informed by the work of the Corporate Leadership Team and Senior Managers within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's Annual Report, and by input from the external auditors, other review agencies and inspectorates.

The Corporate Leadership Team review the arrangements in order to seek to provide an assurance that the Council is operating within local and statutory frameworks and have approved this statement.

A key weakness in the internal control process is that the audits of the accounts for 2019/20, 2020/21, 2021/22 and 2022/23 are not finalised, mainly due to the resourcing issues affecting local authority auditors more broadly. The completion of the outstanding audits is subject to further work in 2023 with both the new auditors Grant Thornton, who take over from the 2023/24 accounts, and the previous auditors.

5.0 **The governance framework**

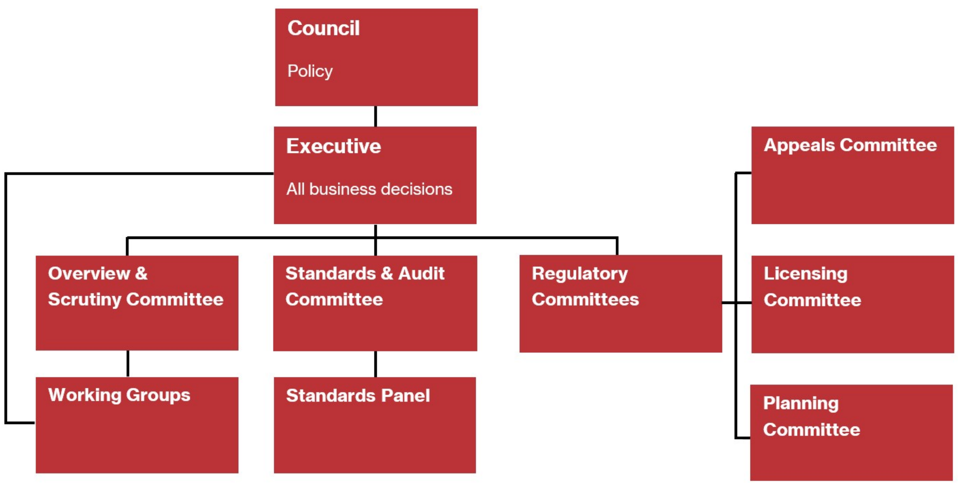
The Council operates a Leader and Executive system of governance, with an Overview and Scrutiny Committee in place to scrutinise the work of the Executive.

The May 2023 local elections returned a Liberal Democrat led Council, with 20 Liberal Democrat, four Conservative, three Labour, and three independent councillors.

The Council sets the Policies and Strategies for the Council and appoints to all committees, as well as the Leader of the Council, who then determines the appointment of the Deputy Leader and Portfolio Holders. The Leader, Deputy Leader and Portfolio Holders jointly form the Executive. Appointments are set out in the Constitution.

The Executive acts within the approved policy framework and budget and leads preparation of new policies and budget. During 2023-24, the Council also had 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 Council are discharged through its non-executive committees and the Standards and Audit Committee.

5.1 <u>Company governance</u>

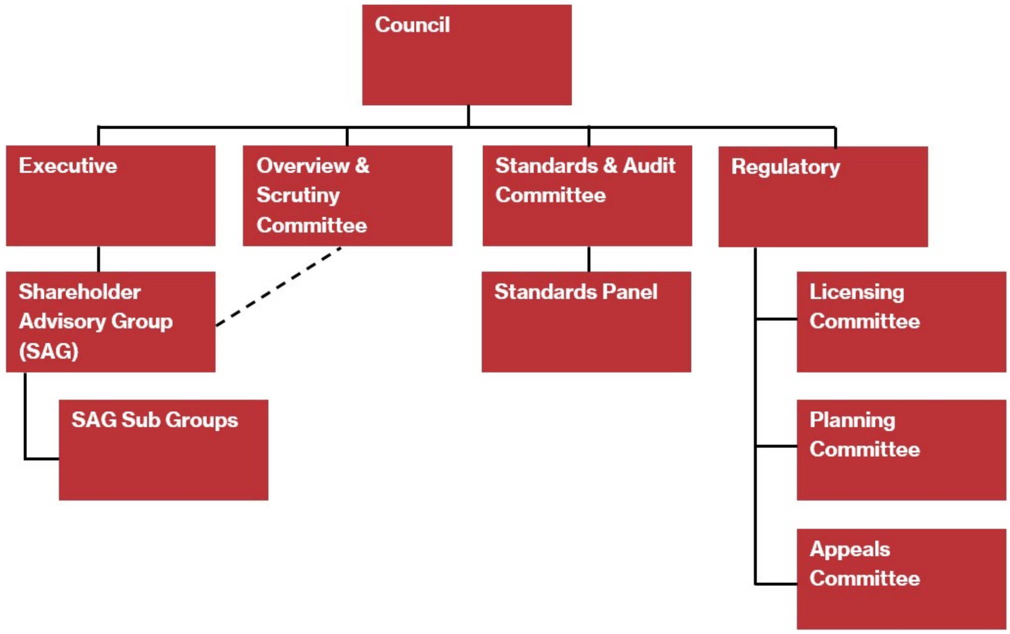


The Council has an historic, complex company structure, originally established to deliver a number of projects and key historic priorities. Company business plans are reviewed by the Shareholder Advisory Group and approved by the Council's Executive. Performance is reported through the Council's performance and financial monitoring information.

During 2023/24 there were Officer and Independent Directors of the companies in accordance with the Company protocol adopted by the Council. This is being reviewed with proposals to further improve the governance arrangements.

A proposal was approved by Council in March 2024 to create a new Shareholder Executive Committee (SEC), replacing the three Shareholder Advisory Groups that have operated over the past year. The SEC is composed of Members of the Executive and will approve company business plans and hold companies to account for their performance. The SEC shall act as shareholder in consider matters reserved to the Council.

Companies' governance has been reviewed and greater focus on the principles of governance and responsibilities for decision making are articulated in the Constitution.



Governance framework principles

There are seven principles and sub-principles of Corporate Governance contained in the CIPFA/SOLACE good governance framework and these have been adopted by the Council as set out below. Assurance for how they are met is provided in following sections.

Principles

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

B. Ensuring openness and comprehensive stakeholder engagement.

C. Defining outcomes in terms of sustainable economic, social and environmental benefits.

D. Determining the interventions.

E. Developing the entity's capacity including the capability of its leadership and the individuals within it.

F. Managing risks and performance through robust internal control and strong public financial management.

G. Implementing good practices in transparency, reporting and audit to deliver effective accountability.

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

The Standards and Audit Committee oversees the democratic arrangements of the Council and is responsible for promoting and maintaining high standards of conduct by Members and assisting Members to observe the Members' Code of Conduct. The Responsibility for Functions (including the Scheme of Delegations) and Standing Orders require Members and Officers to ensure that all decisions are compliant with internal policies and procedures, as well as with the law. These help to ensure transparent decision-making, giving authority and certainty to the allocation of responsibilities as set out in the Constitution.

Part 5 of the Constitution contains the Code of Conduct for Members. In April 2021, the Council adopted the Local Government Association's Model Code of Conduct as revised during the year. To support the adoption of the Code of Conduct an annual review of The Arrangements for Dealing with Allegations of Misconduct by Councillors under the Localism Act 2021 was undertaken.

The Code of Conduct defines the standards of behaviour for Members and, as a condition of office, they are required to sign an undertaking that they shall observe the code for the duration of their term. The Monitoring Officer provides annual training on the Member Code of Conduct, which is delivered in May as part of the Member induction training, and the Monitoring Officer is available to discuss any matters arising throughout the year. Member conduct is monitored by the Standards and Audit Committee, which has a remit to deal with complaints of breaches of the Member Code of Conduct through the Standards Panel. All Members complete the register of interests, and it is a standing item on all formal meeting agendas for both Officers and Members.

A parallel Code of Conduct for Officers sits in the suite of employee policies. The Council's Constitution contains an Officer Conflicts of Interest Protocol 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 a comprehensive staff handbook and Behaviour and Skills Framework setting out the Council'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.

Both codes for Members and Officers which are complemented by the Councillor and Officer Relationship Protocol are in compliance with '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. The general Council complaints policy and the Members' Code of Conduct complaints policy are published on the website and are easily accessible to the public. The Complaints policy has been reviewed for the 2023/24 year, following changes to the handling of housing complaints.

Decision making is supported by advice from Officers, financial and legal advice, and other appropriate professional advice together with internal guidance to ensure compliance with policies.

The statutory roles of the Chief Financial Officer (Section 151 Officer) and the Monitoring Officer are set out in the Constitution and in the scheme of delegations. They provide oversight of propriety and lawfulness. They form part of the Corporate Leadership Team and there are fortnightly Statutory Officer Group meetings with the Chief Executive to discuss items that have significant legal, governance, financial and reputational implications.

The Council's Contract Standing Orders and the Financial Regulations provide rules for lawful and sound processes for contract and spending decisions. These are managed by the Monitoring Officer and Chief Financial Officer. These Standing Orders help ensure transparency and a Governance framework in relation to how decisions are made. Following new legislation, procurement rules will be reviewed and amended following implementation of the Procurement Act 2023.

The Council is clear about its leadership responsibilities for services, whether provided directly or through wholly or jointly owned companies, 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.
The Scheme of Delegations 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. A Corporate Governance Working Group, set up for the 2023/2024 municipal year, met to discuss amendments to the Constitution.

Principle B – Ensuring openness and comprehensive stakeholder engagement.

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

The Council is the ultimate decision-making body and the principal forum for political debate. 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. Agendas and reports for Executive and committee meetings are published at least five clear working days in advance of the meetings.

The Forward Plan describes all significant decisions planned to be taken in the upcoming four months and is published and updated at least monthly. The Forward Plan is used by the Overview and Scrutiny Committee to help plan business. This ensures early awareness of, and engagement with, key issues for all Members. As well, the Leader meets with the Chair of the Overview and Scrutiny Committee quarterly to discuss upcoming matters and the focus of the Executive.

The Constitution provides for members of the public to ask questions of the Executive and Council at their respective meetings. Petitions may also be put to the Council with the Constitution setting out how these are considered depending on the number of signatures.

The Council is committed to working with residents, businesses, communities, service users, and partners to help prioritise what it does, to give them a say in the approach, and to give them the chance to get involved in delivery and change. This requires sound arrangements for engagement and consultation.

The Council uses a variety of ways to engage residents and other stakeholders. Media releases, e-communications and social media are used to keep residents and stakeholders informed of plans or decisions. The Council conducts engagement via questionnaires, public events, satisfaction surveys and feedback forms. Formal consultation is undertaken where there is a statutory duty or legitimate expectation to consult and where there is a service or policy need to do so. The Council has also taken significant steps to ensure that engagement is embedded into the Council's culture and working practices.

The Council works with a range of stakeholders. This includes a range of public bodies, local authorities, the NHS, and Surrey Police. Other tiers of local government are important partners in many areas of service delivery, strategic planning, and community development. There are both formal and informal forums in place for regular liaison with elected Members and senior Officers in the neighbouring district and borough councils, including regular meetings of all the leaders of the councils to discuss issues of common interest.

The Council is a member of the North West Surrey Alliance Partnership which is focused on improving health outcomes for residents.

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

The Council has adopted a Corporate Strategy for 2022-2027. The Woking for All strategy commits the Council to a set of strategic objectives between 2022 and 2027 that give clear direction to residents, businesses, partner organisations and council staff, based around four community-based themes.

Healthier Communities

Engaged Communities

Greener Communities

Prospering Communities

Underpinning these community-based themes is an overarching 'high performing council' theme which ensures the Council delivers the best outcomes from its funds and assets.

A supplementary strategy that sets out the then new administration's key priorities for the year ahead was adopted by the Executive on 16 June 2022 and by Council on 21 July 2022.

All priorities and actions were monitored to the end of the 2022/23 financial year and reported in detail to the Executive on 15 June 2023. The Woking for Strategy was not updated for 2023/24 to a number of reasons, including the corporate focus on the Fit for The Future Programme, the full review of services/functions across the organisation, and the impact these changes will have on staff structures. Because of this unprecedented change, the Council was not in a position to set any meaningful service-related objectives/priorities.

Following a full review of statutory/non-statutory services, and the completion of staff restructures, the Council is now in a position to re-frame the corporate strategy and work is at an advanced stage to finalise new priorities and objectives for the coming two financial years. The revised Woking for All Strategy is to be received by the Executive on 14 November 2024 and subsequently Council on 12 December 2024 for adoption.

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 Council 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 of 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 covered 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. The Economic Development Action Plan was approved in September 2021.

Following the Council restructure, which focused on the delivery of statutory services, the resources available to deliver a new strategy have become limited. The Council is looking to partnership working with Surrey County Council to support the economic vitality agenda.
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's investments.

The Council undertook a significant cost-cutting exercise through 2023-24. All services were reviewed and savings identified. A number of non-statutory services were either discontinued, transferred away to partners, or had their business model changed to become self-sustaining. The organisation underwent a staff restructure and overall headcount was reduced by approximately 20%. Budgets were reduced and the Council sought to provide statutory services at minimum service provision.

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.

Directorate 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 Council 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 directly or through third parties.

Principle E – Developing the entity's capacity, including the capability of its leadership and the individuals within it.

There is a comprehensive training programme for Members that is being reviewed for 2024/25 in order to account for the Council's drive towards Improvement and Recovery. The Council is committed to continually improving its Member development programme.

Personal development priorities are agreed through a personal development review process. The Performance and Development Review process is embedded in the Council with annual assessments completed by all Officers. A light touch performance review was performed towards the end of 2023/24 following the staff restructure. The usual process incorporates the Council's Behaviour and Skills framework and helps to determine the Learning and Development programme. There is an established programme of induction training for new staff that is proposed to be reviewed in 2024/25. Training is increasingly available through an online learning system. Due to the Council's financial situation, in 2023/24 the Council suspended its performance system for progressing through pay grades that had been established previously.

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

Following review of the Council's governance, the rules to ensure robust internal control over the Council's finances have been strengthened. The system and arrangements for financial performance management are the means of internal monitoring and control. However, the size and scale of the Section 114 deficit and the extent to which it arose from borrowing, largely through Council owned companies, points to a significant weakness in the years prior to 2022 in the performance and risk management of those companies. The Council did not have clear enough monitoring arrangements or the capability and capacity of staff to oversee the complex commercial arrangements it had put in place and throughout 2023/24 a programme to improve these has been developed.

The complex company arrangements have also, as noted, contributed to four years' accounts not yet being signed off by the external auditors.

The system of internal financial control is based on a framework of financial regulations and procedures. Control is maintained through regular management information, management supervision, and a structure of delegation and accountability. However, prior to 2023, the Council did not formally assess its compliance with the CIPFA Financial Management Code. There is a fundamental review of the Council's financial governance underway through the Improvement and Recovery Plan with one of the 5 Themes being Financial Recovery.

The Council has a whistle blowing policy (called the Confidential Reporting Policy) which is updated and promoted internally regularly. The Council's counter-fraud strategy and fraud risk assessment is currently under peer review from another local authority with completion due in 2024/25.
The Council adopted an updated Risk Management policy in September 2021 to ensure that the Council's approach to risk management reflects best practice (and remains an essential component of strong governance and robust business management). The appropriate management of risk is a fundamental element of the Council's ability to provide cost effective, quality services and to deliver its corporate priority outcomes. It is recognised that a strong culture of risk management needs to be embedded throughout the organisation and this is an ongoing area through the IRP.

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 Council'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.

Risk Management policies and procedures are in place and are regularly reviewed, including a new Risk Management Policy, Risk Appetite Statement, Corporate Strategic Risk Register and three Directorate Risk Registers. Formal Risk Management arrangements include the setting up of a project workbook with an embedded risk register for every new project to provide for risk identification, analysis, ownership and mitigating actions. An annual risk report is provided to the Executive. The Corporate Leadership Team reviews the Strategic Risk Register quarterly. Committee reports identify and quantify risks associated with a proposal. An Improvement and Recovery Programme risk register is in place and formally reviewed by the Improvement and Recovery Board monthly. The Council's strategic risks are published on its website. The new, directorate-matching Scrutiny Committees, as well as the Audit committee will review both the strategic risk register and directorate risk registers at regular intervals.

The Regulator for Social Housing sets regulatory standards for social housing landlords. In July 2023, the Council self-referred to the Regulator as it believed it was in breach of the consumer standards. In response to the self-referral, the Council was issued with a Regulatory Notice for breaching the Homes standard (now the Safety and Quality standard) for outstanding fire safety remedial actions and incomplete records on smoke and carbon monoxide detection. In recognition of the seriousness of these issues, the Council added a comprehensive Housing Improvement Programme as an additional workstream within its wider Improvement and Recovery Plan (IRP). The Housing Improvement Programme is looking at all areas of the Housing Service, including systems, data, resident engagement, and staffing culture, to ensure the existing issues are resolved and there are appropriate controls in place to prevent them reoccurring. Progress is monitored by a monthly Housing Improvement Board, the Improvement and Recovery Board and monthly engagement meetings with the Regulator. Progress is also reported through the new Communities and Housing Scrutiny Committee.

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

All meetings of the Full Council and of the committees which discharge executive, non-executive or scrutiny functions take place in public and have their reports and minutes published on the Council's website. Decisions, agendas, and reports are published on the website and are available to the press and public. This is driven by the publication of the Executive Forward Plan of key decisions. A limited number of reports are considered in private session, only when the subject meets the prescribed criteria of the Local Government Act 1972.

The Standards and Audit Committee undertakes the functions of an audit committee. This includes reviewing the findings of internal audit. The Committee meets regularly and in public and holds Officers to account for the timely implementation of agreed audit actions. From May 2024, the Committee was renamed the Audit and Governance Committee.

The Council has replaced its single overarching Overview and Scrutiny Committee with three, directorate-specific, Scrutiny Committees for the 2024/25 year. The aim is to promote scrutiny of the Council's directorates and improvements to service delivery, both through the Improvement and Recovery Programme, and day-to-day operational developments. To ensure that chairing of Committees is most effective, the Local Government Association is arranging peer mentoring for the committee Chairs.

The Council maintains an overview of the effectiveness of its governance framework including the system of internal control. The overview 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. This has been subject to a full review during the 2023/24 year via the Governance and Assurance theme of the IRP.

Processes for information governance are in place internally and information is easily accessible on the website with regards to Freedom of Information requests and Data Protection. The Director of Legal and Democratic Services continues to have oversight and ensures compliance with GDPR.

The Council's ICT and Cyber Security Systems are in place with regular updates and reminders sent to staff. In 2023/24 the Council procured a new cybersecurity training programme to help embed its policies throughout the organisation.

The Council's internal audit service (undertaken by Forvis Mazars) 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. The Head of Internal Audit (HIA) role is performed by Forvis Mazars. An annual report by the HIA on the overall adequacy of the control environment is considered by the Standards and Audit committee. Internal audit provide updates at each Standards and Audit meeting and CLT on a quarterly basis or as required. The Council's internal audit plan is a risk based plan taking into account risks identified through the risk register as well as other factors such as audit knowledge of service delivery, and areas highlighted by CLT. This enables the allocation of audit resources. An annual risk management report is provided to the Executive. The Council ensures that risk management and internal control processes are regularly considered by internal audit as part of the annual programme of work.

As referenced above, it remained a frustration during 2023/24 to residents and stakeholders that there continued to be no audited accounts available. The Chief Finance Officer has implemented measures to expedite the auditing of historic accounts and bring these forward as early as possible in the 2024/25 year. This includes the instruction of a new external auditor, Grant Thornton.

6.0 **Roles and responsibilities**

The Council's Constitution defines and documents the roles and responsibilities of the Authority, the Executive, 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 Officers. Delegations are recorded in accordance with the relevant regulations.

The ThamesWey Group of companies was originally established by the Council to assist in the delivery of the Council's historic strategic objectives with a view to securing benefits for the residents of the Borough. The Council and the Boards of the ThamesWey 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. The Council operates the Shareholder Advisory Group to exercise its shareholder function.

The Group Business Plans are approved by the Council annually. Group Company information is being reported directly to the Executive and in 2024/25 will be reported to the Shareholder Executive Committee when it begins operating. In recognition of the inadequacy of some reporting metrics, the performance and financial monitoring information is being developed to be more comprehensive throughout 2023/24.

The senior management of the Council is structured to provide clear responsibility and accountability at both strategic (Corporate Leadership Team, CLT) and operational (Senior Manager) levels.

The CLT comprises the Chief Executive, the Strategic Directors – of Corporate Resources, Communities, and Place – the Finance Director, and the Director of Democratic and Legal Services. Each has 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 Council acts in accordance with the Constitution. The Finance Director is nominated in accordance with Section 151 of the Local Government Act 1972.

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

7.0 **Progress on addressing 2022/23 key improvement areas**

In the prior year's statement, the Council had identified the following areas for enhancement of the Council's governance, requiring action in order to ensure arrangements are robust for the future.

These have been, and will continue to be, monitored via the Improvement and Recovery Programme, which reports monthly into the Improvement and Recovery Board. Programme progress reports are taken periodically to Executive and Full Council, and Commissioners then report to the Secretary of State.

- **2022/23 improvement:** The Improvement and Recovery Plan identifies four themes (Financial Recovery, Commercial, Governance and Assurance, and Organisation and Service Redesign) that the Council is advancing to provide the organisation with a clear direction for its improvement journey.

- **2023/24 progress:** The programme was actively progressed in year and fifth theme added, Housing Recovery and Improvement. The governance-related improvements are reported throughout this document.

- **2022/23 improvement:** The weaknesses in corporate governance identified in this statement are part of the DLUHC review that now has a comprehensive Improvement and Recovery Plan agreed with Commissioners, published and being implemented and monitored.

- **2023/24 progress:** The Improvement and Recovery Plan has been developed and progressed by the organisation throughout 2023/24.

- **2022/23 improvement:** The AGS assurance process itself will be reviewed and strengthened during 2023/24 before next year's reporting cycle.

- **2023/24 progress:** The AGS assurance process itself has been reviewed and strengthened during 2023/24. This includes a dedicated team of finance and governance staff meeting quarterly with commissioners to look at risk registers and agree contents and associated actions.

- **2022/23 improvement:** A further Constitutional Review, a thorough review of the Council's Constitution, was completed in early 2023 but it is acknowledged that further improvements are required some of which are underway and which will initially be considered by the Corporate Governance Woking Group.

- **2023/24 progress:** The Constitution has continued to be reviewed in 2023/24 and consequential amendments from changes to Council processes and governance made by officers and agreed by Council throughout the year. This has included reviewing the Articles, i.e. terms of reference, for the Council's Committees to ensure they meet best practice and remits defined where appropriate.

- **2022/23 improvement:** Company Governance: ensure that the Company Governance Arrangements adopted in July 2022 are developed further and to conduct a full review of all Council owned companies.

- **2023/24 progress:** New company governance arrangements have been developed throughout 2023/24. Focus has been put on removing Officer conflict of interest and key officers have been or are being removed from company boards.

- **2022/23 improvement:** CIPFA Financial Management Code: ensure that the Council's governance arrangements comply with the Financial Management Code which has been published by CIPFA.

- **2023/24 progress:** See Section 9.

- **2022/23 improvement:** Grant Thornton Best Value Review: following the intervention and issuing of the S114 report, the Council commissioned a best value review which was undertaken by Grant Thornton.

- **2023/24 progress:** The Public Interest Report was issued by Grant Thornton on Tuesday, 5 November 2024.

- **2022/23 improvement:** LGA assistance/Overview and Scrutiny Review/Standards and Audit review: the LGA is assisting the Council with a review of the Overview and Scrutiny function to include mentoring support for the committee chair and vice chair, a rapid review by the Centre for Governance & Scrutiny (CFGS), implementation of an improvement plan and additional training. Assistance from the LGA on reviewing and strengthening the Standards and Audit Committee to include reviewing the role of the Independent Member of the committee and support the committee in undertaking an assurance mapping exercise.

- **2023/24 progress:** The Council has adopted a new Council meeting structure. The vast majority of non-public working groups and boards have been decommissioned and a new Committee structure and meeting cycle implemented for 2024/25 with a renewed focus on scrutiny, governance, and audit. The Overview and Scrutiny Committee has been replaced with three, directorate-specific, Scrutiny Committees. A regular meeting of the Chairs and Vice-Chairs is planned to be held to coordinate the work of the Scrutiny and Audit Committees and ensure work is joined up to support improvements across the organisation, including those of a cross-cutting nature.

- **2022/23 improvement:** Review of Part II Documents: a thorough review of all Part II documents from January 2016 to date is underway and all material suitable for release will be uploaded onto the Council's website.

- **2023/24 progress:** Officers prepared several hundred documents for release to coincide with the publication of the Grant Thornton Best Value Review.

8.0 2024/25 key improvement areas and action plan

Suggested improvement areas from May 2024 to May 2025 include:

1. Embed new council meeting structure and scrutiny processes, improve clarity of reporting and communication with Members.
2. Recruit independent members to Audit and Governance Committee.
3. Review and strengthen Member training including scrutiny, audit, and Councillor and Officer Relationship Protocol.
4. Strengthen training and induction for Officers including risk management, political awareness, and Councillor and Officer Relationship protocol.
5. Review complaints handling process.
6. Review governance of Planning Obligations: Community Infrastructure Levy and Section 106.
7. Review Officer Scheme of Delegations and Finance regulations.
8. Strengthen Companies governance.
9. Strengthen Housing/HRA Governance.
10. Strengthen financial control and monitoring frameworks, develop systems and skills, embed strategic financial planning and debt reduction initiatives.
11. Strengthen the alignment of the Internal Audit programme with strategic risks and improvement and recovery priorities.

12. Strengthen controls over spend and compliance with procurement best practice.

13. Work with the extended leadership and senior management cohorts to further embed the consistency and application of good governance practices.

9.0 **CIPFA Financial Management Code of Compliance**

The CIPFA financial management standards are presented in seven sections. The Council has assessed its position against each of those for the year 2023/24.

9.1 Section 1. The responsibilities of the chief finance officer and leadership team

The leadership team was well-defined, with roles assigned for financial oversight. However, active engagement in financial management was inconsistent. This was significantly – but not wholly – driven by staff turnover, including having multiple interim CFO's in post during the year.

Since then, the Council has introduced regular strategic financial review meetings to ensure financial priorities are consistently integrated across all departments. This has increased alignment between financial strategy and organisational goals, bringing the Council closer to the FM Code's expectations.

9.2 Section 2. Governance and financial management style

Governance mechanisms like budget monitoring were in place but often reactive and with limited service area involvement, which limited financial resilience.

Governance has since improved with the introduction of quarterly risk assessments and enhanced budget monitoring oversight. These actions are aimed at reducing financial risk and promoting proactive governance, especially in high-expenditure areas.

9.3 Section 3. Medium to long-term financial management

Whilst long-term financial planning was always seen as important, there was a significant improvement in year with this activity with greater emphasis since the Section 114 Report on scenario planning and stress testing.

The Council has continued to build on the improvements realised in 2023/24, creating a more robust approach to financial sustainability and resilience.

The scale of the Council's past borrowing is well documented and referenced to in detail in the Grant Thornton Public Interest Report. A requirement has been introduced for all capital projects to undergo a full-life costing and risk assessment as part of the approval process. This change is intended to improve the sustainability of capital investments and reduce the likelihood of unforeseen costs impacting our budgets.

9.4 Section 4. The annual budget

The severe nature of the Council's financial position has meant that budget-setting focused heavily on short-term compliance rather than sustainable long-term resource allocation. Discussions are ongoing with key stakeholders to find a long-term solution to the Council's financial position.

9.5 Section 5. Stakeholder engagement and business cases

Internal stakeholder engagement had significantly improved in year. More standardised financial reporting formats were introduced along with increased the frequency of stakeholder briefings. These updates provided stakeholders with clearer insights into financial performance, fostering better understanding and trust in the Council's financial strategies. Since then, the finance team has been working to build on these improvements.

Whilst there were no business cases for major projects were prepared, business case protocols do need improving with enhanced financial impact evaluations, leading to more informed decision-making and a more rigorous approach to funding and prioritisation.

9.6 Section 6. Performance monitoring

Performance monitoring processes were newly introduced so were applied inconsistently and lacked actionable follow-up. There is now more detailed follow-up actions and reporting protocols. The aim is that this will enable us to quickly address financial issues and improve accountability.

9.7 Section 7. External financial reporting

Like many Councils across the country, external financial reporting did not meet compliance requirements, with many year's financial statements not finalised. Since the end of the year, the Council's finance team has prepared four years' of financial statements. This has been a significant achievement.

9.8 Summary

While progress has been made since 2023/24, many areas continue to need improvement. The finance team are committed to get closer to fully aligning with CIPFA standards in 2024/25 and are developing a more resilient, transparent financial management structure that supports long-term financial health.

10.0 Internal audit comments

No assurance can ever be absolute; however, this statement recognises that significant governance issues existed prior to 2023/24. A Governance and Assurance theme exists within the Improvement and Recovery Programme adopted in 2023/24.

The Internal Audit Annual Report and Opinion provides an opinion on the adequacy of the Council's control environment as a contribution to the proper, economic, efficient and effective use of resources. The Council must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, considering public sector internal auditing standards or guidance.

For the year 2023/24, the internal auditors concluded that they had to provide a **Limited** opinion on the Council's risk management and control environment/framework. Taking a section from the annual report:

"On the basis of our audit work, our opinion on the framework of governance, risk management, and control is Limited in its overall adequacy and effectiveness. There are significant weaknesses in the framework of governance, risk management and control such that it could be or could become inadequate and ineffective.

As part of our audit work, we have made recommendations to address issues identified. Each of these are subject to review by management with response. We have ensured that an appropriate action plan is in place. These are linked to the response so that issues and root causes are addressed, and risks are sufficiently mitigated."

When being subject to individual internal audit engagements, the Council would aim that many should achieve ‘substantial’ assurance – which indicates adequate and effective levels of control. However, of the seven 2023/24 internal audit engagements, none resulted in ‘substantial’ assurance. The auditors made 59 recommendations in 2023/24, eight of which were designated as high priority. Controls need to improve at this level as well as corporately.

The Council will continue to regularly monitor issues that may seriously prejudice or prevent achievement of its key objectives through its strategic risk review process.

Both governance and internal control arrangements must be kept under review to ensure that they continue to operate effectively, meet changing legislative needs and reflect best practice and our intention to achieve excellence in all our activities.

11.0 Conclusion

This statement reflects the position in 2023/24 immediately after Government intervention and the development of an Improvement and Recovery Plan with Commissioners which was agreed by Full Council on 22 August 2023. Clearly this plan demonstrates significant weakness in the Council’s governance and financial arrangements in prior years, in particular prior to 2022. We are satisfied that with the Improvement and Recovery Plan the Council will have in place the necessary practices and procedures for a comprehensive governance framework. The actions above will deliver further improvements and we will continue to monitor, evaluate and report on progress as part of quarterly monitoring of the Improvement and Recovery Plan to Council and Government.

Leader of the Council	Managing Director/ Commissioner
Cllr Ann-Marie Barker	Richard Carr
DATE	DATE