

**WOKING BOROUGH COUNCIL**

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

**FOR THE YEAR ENDED  
31 MARCH 2023**

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## **EXPLANATORY FOREWORD**

### **Introduction and Context of Government Intervention**

These accounts relate to the year ending March 2023. This foreword therefore takes into account the significant events and finding since 2021.

On 25 May 2023, the Department for Levelling Up, Housing and Communities (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 considered the 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 the WBC's legacy of disproportionate 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 the 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 resulted in unaffordable borrowing, inadequate steps to repay that borrowing, and high values of irrecoverable loans. The notice 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 includes two key elements: the cost of impaired loans to its own companies (£614 million) which is a balance sheet adjustment and, secondly, 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 some form of support from Government. To access that support, WBC had to show that it was '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 of 9.99% in March 2024.

There is also an imperative to reduce the level of debt and WBC is developing its Asset Rationalisation Plan for the WBC's property portfolio, in a way that delivers the best returns for the public purse, allowing key services to be maintained and reducing the cost of debt servicing through a Debt Reduction Plan. The overall deficit was re-assessed in March 2024 as part of setting the 2024/25 budget as up to £785 million on the revenue account, making the total impact £1.4 billion including the balance sheet impairment (that will be re-assessed as part of the 2023/24 accounts). The £785 million was covered by the support from Government via a Capitalisation Direction, which allows the WBC's deficit to be shifted to the balance sheet via government approved borrowing.

### **2023/24 Accounts – Accounting for Prior Year Adjustments and Group Companies**

The above events have clearly led to a significant re-assessment of both the revenue account and balance sheet of WBC. Given the complex, and still evolving nature, of the WBC's financial position, the decision has been taken that adjustments will be made in the 2023/24 accounts, rather than re-stating prior years. The intention is to:

- achieve the right level of clarity and public transparency on WBC's financial position in that one year by bringing all financial statements up to date;
- fit with the process of Government support i.e. the £785 million Capitalisation Direction issued to support the setting of the 2024/25 budget. The application of this Direction included assessments of prior year financial revenue deficits.
- allow the loan impairment, previously assessed as £614 million to be dealt with as an up-to-date balance sheet adjustment, based on current valuation of investments;

- make the process efficient, avoiding the need for multiple years' accounts to be adjusted, particularly given that historic record keeping in WBC is poor and makes following transactions back difficult; and
- to allow the adjustments to be examined and reviewed by WBC's newly appointed auditors for 2023/24, Grant Thornton.

These accounts for 2022/23 will be published in autumn of 2024, with the publication of the accounts for 2023/24 following after. The accounts are for WBC as a single entity – the group accounts for all four years to 2023/24 will be published later in 2024. The publication of the accounts is a major milestone in WBC's Improvement and Recovery Plan, rectifying and improving financial management.

### **Audit Status of the Accounts and Objections**

WBC's last audited set of accounts is for 2018/19. WBC previously published draft accounts for 2019/20, 2020/21 and 2021/22 on its website, but WBC's auditors for the period to 2022/23 (BDO LLP) have not completed their audits of those accounts. This is for two reasons:

- firstly, in common with many other local authority auditors, there has been a significant strain on the fees for and resources available for auditors to complete audits.
- the challenge of assessing WBC's specific financial circumstances, in particular the investments in and value of the group companies.

In addition, a local elector made an objection to the 2019/20 accounts, based on WBC's borrowing and investments in the accounts. These matters are now the subject of the adjustments to be made to the 2023/24 accounts.

Resolving the outstanding audits is now dependent on national regulation<sup>1</sup> that provides a "backstop" date by which auditors will have to pass a form of limited opinion on outstanding accounts or through other government guidance. The statutory backstop date for 2022/23 and before accounts is 13 December 2024.

### **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. A number of accounting conventions differ from those that apply to local authorities due to legal requirements. The budget and council tax setting and in year reporting in year against budget is on this statutory basis – the notable differences being how debt, depreciation and pensions are accounted for.

The 2022/23 outturn had the following impact on General Fund and Housing Revenue Account (HRA) balances and reserves as at 31 March 2023:

- £1.5 million General Fund Balance [no movement in the year];
- £17.214 million General Fund Earmarked Reserves [in year reduction of £11.015 million];
- £2.167 million HRA balance [in year increase of £2.611 million], and
- £1.564 million HRA Earmarked Reserves [in year reduction of £1.044 million].

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<sup>1</sup> Accounts and Audit (Amendment) Regulations 2024 were laid in parliament on 9 September 2024 and came into force on 30 September 2024.



The reasons for the reduction in General Fund Earmarked Reserves of £11.015 million was to fund general fund revenue costs, with the main changes being:

- £6.096 million was budgeted to be drawn down from General Fund Earmarked Reserves; and
- The balance of £4.919 million was drawn down to fund additional costs which included the adjustment to correct the historic General Fund recharges and interest charged to the Housing Revenue Account [see below].

The main reasons for the increase in HRA balance of £2.611 million was due to a £2.620 million adjustment to correct the historic General Fund recharges and interest charged to the Housing Revenue Account [further detail is provided below under the sub-heading 'Housing Revenue Account']. The £1.044 million reduction in HRA Earmarked Reserves was to part fund housing investment costs.

#### 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 £11.720 million (analysed between £12.558 million deficit on the GF and £0.838 million surplus on the HRA).

#### 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

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.

A review of charges between the General Fund and HRA was undertaken in 2024 as part of the 2024/25 budget process. This has resulted in a retrospective adjustment to prior year accounts in favour of the HRA, including 2021/22 (£0.286 million) and 2022/23 (£0.518 million) plus prior years (totalling £1.356 million). These adjustments will be accounted for in the 2022/23 accounts.

In addition, a review of investment income between the General Fund and HRA was undertaken. This has resulted in a respective adjustment of £0.460 million in favour of the HRA. This adjustment has been accounted for in the 2022/23 accounts.

### 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**

## **OUTTURN STATEMENTS**

**2022/23**

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

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

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

The Council's Revenue Outturn Statements (and management accounts) are summarised by the above three thematic areas, which were in place during the financial year.

## OUTTURN STATEMENT

The table below shows the actual expenditure and income compared against the approved budget and resultant variances. 2021/22 is shown for comparison. The table covers the Council's directorates [net cost of services], but excludes corporate items such as non-domestic rates income and expenditure, council tax income, non-ring-fenced government grants, interest payable and investment interest income.

2021/22		----- 2022/23 -----		
ACTUAL		APPROVED BUDGET	ACTUAL	VARIANCE
£'000		£'000	£'000	£'000
	<u>Communities (formerly People)</u>			
2,809	Community Support	3,207	3,952	745 (1)
3,928	Health and Well Being and Cultural Development	3,753	5,843	2,090 (2)
2,265	Housing	2,646	2,488	-158 (3)
577	Independent Living	583	771	188 (4)
<u>9,579</u>		<u>10,189</u>	<u>13,054</u>	<u>2,865</u>
	<u>Place</u>			
-1,110	Sustaining the Local Economy	-4,456	-1,915	2,541 (5)
8,292	Environmental Quality	8,998	8,900	-98 (6)
-11,972	Place Making	-17,245	-11,960	5,285 (7)
<u>-4,790</u>		<u>-12,703</u>	<u>-4,975</u>	<u>7,728</u>
	<u>Resources (formerly Us)</u>			
3,309	Democratic Services	5,048	4,525	-523 (8)
297	Corporate Services	278	254	-24 (9)
1,764	Customer Support Services	1,234	2,102	868 (10)
<u>5,370</u>		<u>6,560</u>	<u>6,881</u>	<u>321</u>
0	Other Budgeted Provisions	2,306	0	-2,306 (11)
-4,037	Depreciation Adjustment	-4,006	-3,875	131 (12)
-3,801	Council Housing (Housing Revenue Account)	-4,725	-6,595	-1,870 (13)
2,955	Investment Programme Revenue Projects	134	126	-8 (14)
<u>5,275</u>	<b>Net Cost of Services</b>	<u>-2,245</u>	<u>4,616</u>	<u>6,861</u>
47,057	Interest payable	53,672	51,257	-2,415 (15)
-32,455	Interest receivable	-38,503	-38,213	290 (16)
7,414	Minimum Revenue Provision	7,348	8,195	847 (17)
-6,174	Grants Income [not reflected in net cost of service]	-474	-5,680	-5,206 (18)
-6,315	Business Rates [retained locally]	-3,070	-4,272	-1,202 (19)
-10,104	Council Tax	-10,619	-10,619	0 (20)
7,829	Council Tax/Business Rates Surplus (-)/ Deficit	-12	4,163	4,176 (21)
<u>12,526</u>	<b>(Surplus)/Deficit [before transfer from earmarked reserves]</b>	<u>6,096</u>	<u>9,448</u>	<u>3,352</u>
-12,528	Transfer (from)/to Earmarked Reserves	-6,096	-12,059	-5,963 (22)
<u>-2</u>	<b>(Surplus)/Deficit [after transfer from earmarked reserves]</b>	<u>0</u>	<u>-2,611</u>	<u>-2,611</u>

## OUTTURN STATEMENT - NOTES

### People

#### (1) Community Support

Centres for the Community - Fit For the Future saving of £41k not achieved at service level but was achieved by an underspend in employee costs.

Community Engagement - Household Support Fund expenses offset against Government Grants received. Actual savings of £146K due to reduction in staff and increase in income.

Community Safety - Underspend achieved with savings in Employee costs (£42k) and increase in grants received (£40k).

Family Support Programme - This is the recharge for the Family Centres for prior years that we can now invoice SCC for.

Support For Accredited Groups - Small reduction in Grants to local organisations.

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

Underspend in Arts of £93k (NVT £44k, new Workshop Income £26k, reduction in Misc Costs £23k). Youth Support ended the year saving £16K and Health and Wellbeing saved £62k primarily due to new NHS funding, other underspends, £4k.

The overspend on Leisure Services was mainly made up of a shortfall in the Management Fee payable by Freedom Leisure (£176k), and increased Energy Costs (£384k - including a Fit For The Future saving of £75k which wasn't achieved), overspend in repairs £91k and other overspends £31k

As reported to the September 2024 Executive, a review of the recharges to the Housing Revenue Account (HRA) has been undertaken. This review identified that the HRA had incorrectly been charged £1.597m for the Fuel Cell at Woking Park. This has been corrected in the 2022/23 accounts and the adjustment is included in this section of the Outturn Statement.

#### (3) Housing

Housing Needs & Allocations have an overspend of £131k. This is the total of Homelessness grants, Temporary Accommodations and Housing Options. There is an overspend in Homelessness grants. We received additional grants to the value of £207k during 22-23 for Homelessness Prevention and Rough Sleeper Initiative. These were used to fund additional staff costs to meet the increasing demands on housing homeless & rough sleepers to the value of £783k. This overspend of costs is met by the additional funding received; thereby off-setting the budgeted over-recovery of £463,635 in grants; bringing the net deficit in the costs met by the grant to £112,550. We also received Home Asylum Dispersal grant for £79k.

Temporary Accommodations have an over-recovery of £72k, although responsive repairs and electricity costs have been overspent. This is because we have new temporary accommodation, Waterman House this year.

Housing Options-A £15,750 saving in Bed & Breakfast expenditure was identified in round 1 of the Fit For the Future Programme (FFF1). However the saving was dependent on another FFF1 proposal which involved Thamesway buying more properties to add to the Let's Rent scheme. Since the linked proposal was not progressed, it is not possible to achieve the Bed and Breakfast saving. Also, no savings have been realised in reduced resilience sessions £8,100; although savings have been realised in Ethical Lettings £18,000 and withdrawal from the Shares's scheme - £18,000. Furthermore, in the current climate, B&B costs are likely to become a cost pressure rather than a saving. An over-recovery from the budgeted deficit has been achieved to the value of £160k because of the savings as mentioned above and costs covered by the Flexible Homelessness Prevention Grant '22-23 in Housing options Homelessness Refuge- has a savings on £37k on account of NNDR.

## Outturn Notes (contd)

There is an over-recovery of £14,687 in Housing Standards & Licenses during the year 2022-23. With the end of the Selective Licensing scheme, several properties were identified which were issued with Selective Licenses but should have been under the Mandatory HMO Licensing scheme. These landlords had to apply for new HMO licenses before their Selective Licence ended. This meant that there was an increase in revenue from that expected for HMO licenses as a result of these new applications. We also identified several properties through the final year of the Selective Licence scheme which were unlicensed so the revenue for this was higher than expected at this late stage of the scheme. More enforcement notices were issued than in previous years which also resulted in a small increase in revenue. Now that the impact of Covid restrictions have gone, it is easier to investigate issues and we are finding more cases where notices are being issued. The employee savings here were £41k.

Private Sector Leasing-The PSL scheme is more popular with landlords due to the guaranteed rent. The PSLs assist with reducing B&B stay and households are usually exempt from the benefit cap in PSLs. The number of voids is high due to offers from the Housing Register. The void turnaround times are improving however there is still a void rental loss of £100k, but there has been a savings in repairs and other costs of £17k, savings in lease payments & marketing , subscriptions etc is £6k. The PSLs have brought a over-recovery of £37k (including a few costs met by the Flexible Homelessness Prevention Grant 22-23); Employee costs savings are £60k.

Lest Rent Scheme- The PSL scheme has been more popular during recent years than the Lets rent Scheme, which has resulted in an underspend on Connect scheme and Lets Rent scheme. The team is also able to recycle some previous rent in advance payments when tenancies end. There is an underspend at year end of £136k as expected including savings in employee costs.

### (4) Independent Living

Overspend of £188k due to premises costs (£76k), Careline Contractual Penalty (£32k) and a reduction of income from Meals due to closure of kitchens in the Centres (£65k) and Homelink works (£15k)

## Place

### (5) Sustaining the Local Economy

The sponsor of this project pulled out due to changes in the organisation's business plan, hence there is a loss of £20,000 Income to WBC and underspend of 71,000 on project activities. In addition there is £18,329 agreed spend by CLT on projects and activities but which are outside the day to day operations of the Business Liaison Team. There is also a savings in employees costs £14k.

There is overspend of £37,000 in Incubator Units due to increase in management fee and rent payments.

A 4-year contract has been negotiated resulting in an underspend of £30,000 on Christmas Lights.

Parking Services - The overspend against budget of £2,634,000 is mostly due to Parking income (£2,452,000), employees (£168,000) and TEL Electricity (£169,000), which is partly offset by underspend on Capital Charges (£303,000). The overspend on Car Park Operational Costs is £148,000 which is mainly cleaning costs for Victoria Place Car Park (Green) which opened in early 2022/23.

### (6) Environmental Quality

Building Control - Rises in construction costs and interest rates led to a cautious domestic market over the past year, with a final shortfall of £108,000 on the Building Control income budget. This is partially offset by savings on Employees (£9k) and Consultants (£6k).

Building Services - Higher than anticipated contractual inflation and upgrade works for CCTV contract and operational costs of the control room have resulted an overspend of £18,000. Employee costs of £22,000 and Capital charges of £42,000 also led to additional overpend, which is partly offset by underspend on Public Conveniences of £12,000.

Emergency Planning - The underspend is due to savings in employee costs of £14,000, which is partly offset by other miscellaneous costs of £7,000.

## Outturn Notes (contd)

Environmental Health - The underspend is due to savings in employee costs of £117,000 and other miscellaneous costs of £11,000.

Environmental Maintenance - There is overall underspend of £220,000 which is mainly led by savings in employee costs of £153,000. Town Centre Management Agreement, and Flood clearance and prevention contribute £40,000 and £31,000 to underspend respectively. In addition, SCC income reimbursement is underspent £18,000 and Environmental Maintenance Contract £53,000. Both War Memorials and Street Cleaning has savings of £13,000. There are other savings (£14k) The overspend on Capital charges (£28,000), Parks (£32k) and Litter Enforcement (£41,000) a partly offset the underspend.

Heather Farm SANG Maintenance payments are recorded as overspend of £52,000.

Waste and Recycling - The overall overspend is mainly due to employee costs of £21,000 and operational costs of £50,000, which are partly offset by underspend on advertising, cleaning and repairs (£30,000).

### (7) Place Making

Green Infrastructure - The underspend includes employee costs of £3,000, climate change or strategy of £5,000 and Carbon reduction scheme of £1,000.

Development Management - There has been a reduction in the number of planning applications being submitted which is consistent with the national trend. This has resulted in a drop in fee income. The expected applications which attract large fees didn't materialise due to market conditions but it is anticipated these will be submitted in the next municipal year. There was a final shortfall of £235,000 on fee income on the Development Management budget, together with an overspend on Temporary Staff, net of vacancies, of £101k.

Development Management - At Council in July 2021, it was agreed that an "LGA appointed review of the operation of the planning function of Woking Borough Council including the steps taken by officers and Members to come to decisions in performing their professional and statutory duties" should be undertaken. The cost of the review was £15,707.

Estate Management - The lost income in 2022/23 through a combination of voids and the impact of covid is an additional variance of £2,463,000 in rent, and £1,893,000 in service charge arrears and void costs (this includes service charges of £853,000 as a result of a reconciliation by our shopping centre managing agents which relate to prior years). Dilapidation payments of £584,000 have been received in respect of Dukes Court where a number of floors have been vacated by outgoing tenants (£424,000) and Export House (£160,000). A surrender premium of £738,000 has been received in respect of Dukes Court. This is the premium paid by a tenant for their early surrender of the lease and covers 12 months' rent. A further variation has resulted in backdated rent reviews for rents receivable (£683,000) and rent payable £167,000 (£167,000). The underspend of Civic Office Rent £120,000 partly offset the lost income. The decrease in management agent income due to bad debt provisions resulted in an overspend of £969,000.

## Us

### (8) Democratic Services

The underspend against budget is mainly due to additional income from loan arrangement fees of £963,000, an underspend on employee costs (£346,000) and underspends on Civic Events (£52,000), the Mayors Car costs (£21,000) and Corporate Management costs (£17,000). These were offset by an overspend on Borrowing costs (£145,000)

The overspend on internet charges of £41,000 was partly offset by savings on bank charges (£13,000)

Audit fees were underspent by £4,000.

Elections were overspent by £39,000. This was mainly due to an increase in printing and postage costs relating to Poll Cards and the additional cost related to the introduction of new Voter ID requirements.

As reported to the September 2024 Executive, a review of the recharges to the Housing Revenue Account (HRA) has been undertaken. This review identified that the HRA had been overcharged £564k in corporate costs. This has been corrected in the 2022/23 accounts and the adjustment is included in this section of the Outturn Statement

(9) **Corporate Services**

The underspend against budget of £24,000 is mainly due to an underspend on the Kickstart programme (£4,000), a reduction in general Marketing and Communications expenditure (£33,000), an underspend on employee costs (£5,000), resident Engagement (£15,000) and Statutory Advert costs (£11,000). There were offsetting overspends on the Key Leisure Pass (£25,000) and Woking Magazine publications (£19,000).

(10) **Customer Support Services**

The Overspend against budget of £868,000 is mainly due to an overspend on the net cost of Housing Benefits (£707,000), and an overspend on employee costs of £104,000.

There was also an underspend of £68,000 on Supplies and Services, mainly taxi licensing Criminal Record Checks and payments to Surrey County Council for land charges.

There is an overspend on licensing-fees and charges £67k and a savings in Revenue Collection - Business Rate & Ctax revenue Adjustments

Additionally there was a shortfall of £60,000 on Land Charges fees, which will be offset by any excess made on the service in prior years.

(11) **Other Budgeted Provisions**

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

(12) **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 £173,000 variance is as a result of lower than forecast fixed asset carrying amounts at the end of the year [upon which depreciation is calculated].

(13) **Housing Revenue Account (HRA)**

Housing Revenue Account (HRA) shows a savings of £1.870m compared to budget.

Recharges to the Housing Revenue Account (HRA) were evaluated as part of the 2024/25 budget setting process.

The review was retrospective and covered the period back to 2019/20, which is the last period of currently open (unaudited) accounts. The review was in two parts:

(a) charges from the Management and Administration Accounts for staff time, staff resources, and overheads and

(b) charges for the HRA share of a fuel cell used primarily for Woking Park leisure centre and Pool in the Park, part of which were erroneously allocated to the HRA.

This review identified that the HRA had been overcharged £564k in corporate costs from 2019-20 to 2022-23. This has been corrected in the 2022/23 accounts and the adjustment is included in this section of the Outturn Statement. This review also identified that the HRA had incorrectly been charged £1.597m for the Fuel Cell at Woking Park from 2015-16 to 2022-23. This has been corrected in the 2022/23 accounts and the adjustment is included in this section of the Outturn Statement.

The underspend in Supervision & Management is mainly due to the positive variances in staffing and recharges budget of £206,000. The Old Woking independent living budget is showing a £46,000 underspend, and there is a positive variance in the NVH Client Side final settlement, £223,000. There are underspends on the caretaking and cleaning budgets, £135,000, legal budgets, £46,000 and HRA subscriptions & consultancy £28,000. The underspends are reduced by overspends on Energy budgets, £118,000 and decant and removal expenses £54,000.

Repairs & Improvements has an underspend of £103,000. There is an overspend on Council tax on empty properties and on day to day repairs contracts. This overspend is reduced by underspend on HRA statutory repairs.

Depreciation and impairment of fixed assets is calculated on opening balances. New build Hale End Court was added to stock in 2022-23. Depreciation overspend in 2022/23 is £339,000.



Dwelling Rents & Charges for Services & Facilities are showing an under-recovery of income of £597,000. This is due to the loss of income from empty properties on Sheerwater and other voids (£79,000) and under recovery on charges for services and facilities of £519,000. The under recovery is due to expected increase in heating expenditure of £430,000 that could not be recovered. It was agreed to set the budgets at an increased level but the increase to tenant charges would be capped, in order to protect our most vulnerable tenants and keep recharges at an affordable level, especially as rent was also increasing by 7%. Additional adverse of £89,000 relates to higher than expected void loss, partly due to the Sheerwater regeneration and partly due to poor contractor performance on the turnaround times for void works.

Movement in impairment overspend of £50,000. 1% provision was allocated for the potential increase in rent arrears. The budget indicates that the provision level is inadequate.

Capital financing costs budget underspend at the end of the financial year by £7,000.

(14) **Investment Programme Revenue Projects**

The total net variance of revenue budgets on the investment programme was £8,000.

(15) **Interest Payable**

Interest payable was £2,415,000 less than budgeted in 2022/23. The budget included the financing costs of the acquisition of Victoria Place Car Park. This acquisition did not take place providing an under spend on interest costs.

(16) **Interest Receivable**

Interest on the Council's investments was £290,000 less than budgeted. This is because the total loans advanced to the Council's group companies were less than assumed in the budget.

(17) **Minimum Revenue Provision**

The final MRP calculation was £847,000 more than budgeted.

(18) **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. £4.174 million additional grant relates to Section 31 grants paid by government to fund business rate covid related reliefs - see point (21) below.

(19) **Business Rates [retained locally]**

Woking's share of the Business Rates due to be collected for the Borough, was £1.202 million more than the anticipated in the budget.

(20) **Council Tax**

£10.619 million relates to Woking's council tax precept which was approved in February 2022.

(21) **Council Tax/Business Rates Surplus (-)/ Deficit**

The £4.175 million relates to Woking's share of the previous years' business rates deficit which occurred as a result of covid related business rate relief. This deficit was funded by Government grants - see point (18) above.

(22) **Transfer (from)/to Earmarked Reserves**

Woking has a number of earmarked reserves which are held for specific purposes. £12.306 million of the £12.059 million net transfer from earmarked reserves relates to the funding of revenue overspends.

## STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

### 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 Responsibilities

The Strategic Director of Finance is responsible for the preparation of the Council's Statement of Accounts which, in terms of the CIPFA Code of Practice on Local Authority Accounting in Great Britain ('the Code of Practice'), are required to present fairly the financial position of the Council at the accounting date and the income and expenditure for the year then ended. Given the limitations of the financial information available, the issues concerning bad debt on investments in the group companies identified in the June 2023 Section 114 Notice and Capitalisation Direction, are to be dealt with in the 2023/24 accounts, the prior year accounts will not be adjusted.

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

These accounts should be read in context with the note regarding the 2023/24 Accounts (Accounting for Prior Year Adjustments and Group Accounts) as set out in the Explanatory Foreword. This explains that the group accounts for Woking Borough Council owned companies have not been prepared at this stage and that the issues outlined in the Section 114 Notice (issued in June 2023) will be dealt with in the 2023/24 accounts.

Stephen Fitzgerald: \_\_\_\_\_  
Strategic Director of Finance  
& Section 151 Officer

Claire Storey: \_\_\_\_\_  
Chair of Audit and Governance Committee

Date: \_\_\_\_\_

Date: \_\_\_\_\_

## **ACCOUNTING POLICIES**

### **1. GENERAL**

The Statement of Accounts summarise the Council's transactions for the 2022/23 financial year and its position at the year end of 31 March 2023. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those require to be prepared in accordance with proper accounting practices. These practices primary comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ("the Code of Practice"), 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.

### **2. PROPERTY, PLANT AND EQUIPMENT**

Expenditure on the acquisition, creation or enhancement of property, plant and equipment has been 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 can be measured reliably.

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.

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

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

### **3. 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.

### **4. 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.

### **5. DEPRECIATION AND AMORTISATION**

Depreciation is provided for on Property, Plant and Equipment 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).

There is no requirement to depreciate investment properties.

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

For newly acquired assets, depreciation is first provided for in the year after acquisition, whilst assets in the course of construction are not depreciated until they are brought into use. Where 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 and amortisation charges are calculated using the straight-line method. For the purposes of the calculation, the useful lives of assets are determined for each individual asset. Where it is not possible to do this, the lives of Mid-Range IT Hardware and Software are estimated at 7 years, and other IT assets, Equipment and Vehicles at 5 years. The intangible assets held at 31<sup>st</sup> March have a finite life and are amortised over a maximum of 7 years.

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 assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

## **6. 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.

**7. REVENUE EXPENDITURE FUNDED BY 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 is charged as expenditure to the Comprehensive Income and Expenditure Statement in the year. Where it was been determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement In Reserves Statement from the General Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of the Council Tax.

**8. CAPITAL RECEIPTS**

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 Comprehensive Income and Expenditure Statement. 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 Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. The income from the disposal of non-current assets is credited to the same line in the Comprehensive Income and Expenditure Statement on an accruals basis (i.e. netted off against the carrying value of the asset at the time of disposal). Any difference between the capital receipt received and the market value of the non-current asset will be shown as profit or loss on the sale of non-current assets.

The Statement of Movement in the General Fund Balance reverses any profit or loss on the sale of non-current assets so that it is not charged to Council Tax. The reversal moves the income to the Usable Capital Receipts Reserve, or Deferred Capital Receipts if the income has not yet been received, and moves the value of the non-current asset to the Capital Adjustment Account. Any revaluation gains accumulated for the non-current asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

**9. DEBTORS AND CREDITORS AND REVENUE RECOGNITION**

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

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

**10. OVERHEADS AND SUPPORT SERVICES**

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

## **11. PROVISIONS 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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement. 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.

## **12. 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.

## Accounting Policies (contd)

### 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 lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry to a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant or equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the 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 Comprehensive Income and Expenditure Statement as an expense of the service benefitting from the use of the leased property, plant and equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

### The 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 Comprehensive Income and Expenditure Statement.

## **13. 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



## Accounting Policies (contd)

employees and are recognised as an expense for services in the year in which employees render service to the Council.

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

### Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date, or an officer's decision to accept voluntary redundancy, in exchange for those benefits and are charged on an accruals basis to the "Us" line (formerly Non Distributed Costs) in the Comprehensive Income and Expenditure Statement at the earlier of when the 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 Corporate Bond yield curve is constructed based upon a corporate bond yield curve (based on the constituents of the iBoxx AA corporate bond index). This is then adjusted to reflect the 'term' of the benefit.

The assets of the Surrey Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value.

The change in the net pension's liability is analysed into the following components:

## Accounting Policies (contd)

### Service cost comprising:

- current service cost – the increase in liabilities as a result of years of service earned this year, allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years, debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of “Us”;
- net interest on the net defined benefit liability, i.e. net interest expense for the 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 Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments;

### Re-measurements comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve as Other Comprehensive Income and Expenditure; and
- Contributions paid to the Surrey Pension Fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement In Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

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

### Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to

## Accounting Policies (contd)

make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

For further details see the pensions explanatory notes.

Further information can be found in the Surrey County Council Pension Fund Annual Report which is available on request from Surrey County Council, PO Box 465, Reigate, RH2 2HA.

### **14. GRANTS**

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

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

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

### **15. 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.

### **16. FINANCIAL INSTRUMENTS**

#### **Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement 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 the interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

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

## Accounting Policies (contd)

to or from the Financial Instruments Adjustment Account in the Movement In Reserves Statement.

### **Financial Assets**

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

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

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified at amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

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.

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

## **18. CASH AND CASH EQUIVALENTS**

## Accounting Policies (contd)

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.

### **19. VALUE ADDED TAX**

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

### **20. 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 Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

#### Accounting for Council Tax:

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 Comprehensive Income and Expenditure Statement 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 Non-Domestic Rates NNDR1 return.

The NDR income included in the Comprehensive Income and Expenditure Statement 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.

**21. PRIOR PERIOD ADJUSTMENT, 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.

**22. 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.

## **23 SIGNIFICANT JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

The impairment of the Council's investments [loans to companies – principal and interest], and charging minimum revenue provision [MRP] for loans, will be accounted for in 2023/24 as part of the Government's capitalisation direction.

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

The Code of Practice on Local Authority Accounting in the United Kingdom ("the Code of Practice") 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 2022/23 Code of Practice.

The Code Of Practice 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.

Accounting changes that are introduced by the 2023/24 Code of Practice are:

- Definition of Accounting Estimates (Amendments to IAS 8);
- 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); and
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3).

These changes for 2023/24 are not anticipated to have a material impact on the Council's financial performance and financial position.

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 assess the impact on the Council, at the current time the impact is not known.

# COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2021/22				2022/23		
Expenditure £'000	Income £'000	Net Cost £'000		Expenditure £'000	Income £'000	Net Cost £'000
17,344	7,427	9,917	People	26,797	6,978	19,819
23,766	10,335	13,431	Place	18,037	10,041	7,996
27,334	21,506	5,828	Us	30,312	20,120	10,192
13,764	18,326	-4,562	Council Housing	12,391	18,677	-6,286
-2,097	8,032	-10,129	Investment Programme Projects & Covid	10,519	15,955	-5,436
<b>80,111</b>	<b>65,626</b>	<b>14,485</b>	<b>NET COST OF SERVICES</b>	<b>98,056</b>	<b>71,771</b>	<b>26,285</b>
		536	- Contribution to Housing Pooled Capital Receipts			0
		0	- (Gain) or loss on the disposal of non current assets			-220
		<b>536</b>	<b>Other Operating Expenditure</b>			<b>-220</b>
		47,038	- Interest payable and similar charges			51,238
		4,127	- Pensions interest on obligation (pension notes pages 83-89)			5,357
		-2,460	- Expected return on pension assets (pension notes pages 83-89)			-3,519
		-32,455	- Investment interest income			-38,213
		-21,526	- Rentals received on investment properties			-22,879
		6,115	- Expenses incurred on investment properties			7,010
		-2,904	- Changes in fair value of investment properties			5,462
		<b>-2,065</b>	<b>Financing &amp; Investment Income &amp; Expenditure</b>			<b>4,456</b>
		-2,056	- Non-domestic rates income and expenditure			-1,935
		-5,304	- Non-ring fenced government grants			-6,048
		-10,385	- Council Tax Income			-10,818
		<b>-17,745</b>	<b>Taxation and Non-Specific Grant Income &amp; Expenditure</b>			<b>-18,801</b>
		<b>-4,789</b>	<b>Surplus(-) or Deficit on Provision of Services</b>			<b>11,720</b>
		-2,701	Surplus(-)/deficit on revaluation of Property, Plant & Equipment Assets			5,425
		-19,040	Actuarial gains(-)/losses on pension assets/liabilities			-48,993
		<b>-21,741</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>-43,568</b>
		<b>-26,530</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>-31,848</b>



## MOVEMENT IN RESERVES STATEMENT

	General Fund (GF)	Housing Revenue	Account (HRA)	Capital Receipts	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Notes 6-11 Unusable Reserves	Total Authority Reserves
	Notes 1&2 £000s	Notes 1&2 £000s	Notes 1&2 £000s	Note 3 £000s	Note 4 £000s	Note 5 £000s	£000s	£000s	£000s
<b>Balance at 31 March 2021 carried forward</b>	40,637	4,538		63,935	16	3,155	112,281	30,060	142,341
<b><u>MOVEMENT IN RESERVES DURING 2021/22</u></b>									
Surplus or Deficit (-) on Provision of Services (accounting basis)	5,890	-1,101		0	0	0	4,789	0	4,789
Other Comprehensive Income and Expenditure	0	0		0	0	0	0	21,740	21,740
<b>Total Comprehensive Income and Expenditure</b>	<b>5,890</b>	<b>-1,101</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>4,789</b>	<b>21,740</b>	<b>26,529</b>
Adjustments between accounting basis & funding basis under regulations (Note 1)*	-16,798	-492		-56,340	595	1,526	-71,509	71,509	0
<b>Increase/Decrease in Year</b>	<b>-10,908</b>	<b>-1,593</b>		<b>-56,340</b>	<b>595</b>	<b>1,526</b>	<b>-66,720</b>	<b>93,249</b>	<b>26,529</b>
<b>Balance at 31 March 2022 carried forward</b>	<b>29,729</b>	<b>2,945</b>		<b>7,595</b>	<b>611</b>	<b>4,681</b>	<b>45,561</b>	<b>123,309</b>	<b>168,870</b>
* 2021/22 capital receipts and unusable reserves [capital adjustment account], have been restated by £69.410m to reflect the repayment of company loans in the capital adjustment account									
<b><u>MOVEMENT IN RESERVES DURING 2022/23</u></b>									
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
<b>Total Comprehensive Income and Expenditure</b>	<b>-12,558</b>	<b>838</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>-11,720</b>	<b>43,568</b>	<b>31,848</b>
Adjustments between accounting basis & funding basis under regulations (Note 1)	1,543	729		-181	430	-1,539	982	-977	5
<b>Increase/Decrease (-) in Year</b>	<b>-11,015</b>	<b>1,567</b>		<b>-181</b>	<b>430</b>	<b>-1,539</b>	<b>-10,738</b>	<b>42,591</b>	<b>31,853</b>
<b>Balance at 31 March 2023 carried forward</b>	<b>18,714</b>	<b>4,512</b>		<b>7,414</b>	<b>1,041</b>	<b>3,142</b>	<b>34,823</b>	<b>165,900</b>	<b>200,723</b>

# BALANCE SHEET

31 MARCH 2022		31 MARCH 2023	
£'000		£'000	£'000
338,995	Property, Plant & Equipment (note 1)	327,117	
153,472	- Council Dwellings	154,729	
6,942	- Other Land and Buildings	7,021	
15,105	- Vehicles, Plant and Equipment	15,106	
54,260	- Community Assets	56,250	
568,774	- Assets Under Construction		560,223
884	Heritage Assets (note 1 and 2)		884
348,795	Investment Property (note 1)		346,725
119	Intangible Assets (note 1)		109
37,808	Long-Term Investments (note 6)		37,808
1,793	- Shareholdings in Companies		1,470
1,138,218	Long-Term Debtors (note 7)		1,275,807
	- Mortgagees		
	- Others		
<b>2,096,391</b>	<b>Long Term Assets</b>		<b>2,223,026</b>
5	Inventories	5	
77,925	Short Term Debtors (note 8)	45,866	
35,728	Cash and Cash Equivalents (note 9)	15,354	
<b>113,658</b>	<b>Current Assets</b>		<b>61,225</b>
-110,710	Short-Term Borrowing (note 17)	-226,233	
-42,477	Short-Term Creditors (note 10)	-35,076	
-1,241	Short-Term Liabilities from PFI & Similar Contracts (note 19)	-1,253	
-407	Provision for accrued absences	-475	
<b>-154,835</b>	<b>Current Liabilities</b>		<b>-263,037</b>
-2,619	Provisions (note 13)	-2,708	
-1,775,797	Long-Term Borrowing (note 17)	-1,759,583	
-23,231	Long-Term Liabilities from PFI & Similar Contracts (note 19)	-21,979	
-67,232	Liability related to pension scheme (pension notes)	-21,877	
-17,465	Capital Grants Receipts in Advance (note 11)	-14,344	
<b>-1,886,344</b>	<b>Long-Term Liabilities</b>		<b>-1,820,491</b>
<b>168,870</b>	<b>Net Assets</b>		<b>200,723</b>

# BALANCE SHEET

31 MARCH 2022		31 MARCH 2023	
£'000		£'000	£'000
1,500	General Fund		1,500
28,229	Earmarked Reserves - GF		17,214
2,608	Earmarked Reserves - HRA		1,564
337	Housing Revenue Account		2,948
611	Major Repairs Reserve		1,041
7,595	Capital Receipts Reserve*		7,414
4,681	Capital Grants Unapplied		3,142
<b>45,561</b>	<b>Usable Reserves</b>		<b>34,823</b>
115,080	Revaluation Reserve		108,655
-67,232	Pensions Reserve (pension notes)		-21,877
81,520	Capital Adjustment Account*		81,803
-925	Financial Instruments Adjustment Account		-906
-407	Employee Benefits Reserve		-475
-4,727	Collection Fund Adjustment Account		-1,300
<b>123,309</b>	<b>Unusable Reserves</b>		<b>165,900</b>
<b>168,870</b>	<b>TOTAL RESERVES</b>		<b>200,723</b>

\* 2021/22: Capital Receipts Reserve and Capital Adjustment Account have been restated by £69,410m to reflect the application of company loan repayments [capital receipts] to the capital adjustment account.

# CASH FLOW STATEMENT

2021/22		2022/23	
£'000		£'000	£'000
	<b><u>Revenue Activities</u></b>		
4,789	Net surplus/deficit (-) on the provision of services	-11,720	
6,713	Adjust net surplus/deficit (-) for non-cash movements (Note 1)	30,263	
<b>11,502</b>	<b>Net cash flow from operating activities</b>		<b>18,543</b>
	<b><u>Investing activities</u></b>		
	<u>Cash Outflows</u>		
-57,673	Purchase of fixed assets	-17,902	
-184,539	Loans to subsidiaries and joint ventures [net]	-142,171	
	<u>Cash Inflows</u>		
30,656	Sale of assets	3,278	
12,638	Capital grants received	13,700	
3,572	Movement in other long term debtors [net]	4,905	
10,984	Other capital cash receipts	0	
<b>-184,362</b>	<b>Net cash flow from investing activities</b>		<b>-138,190</b>
<b>-172,860</b>	<b>Net cash flow before financing</b>		<b>-119,647</b>
	<b><u>Financing Activities</u></b>		
	<u>Cash Outflows</u>		
-47,788	Repayments of long-term borrowing	-16,853	
-212,034	Repayments of short-term borrowing	-12,477	
-1,195	Payment of PFI lease liability	-1,240	
	<u>Cash Inflows</u>		
0	Increase in creditors in respect of Preceptors' and Government's shares of net cash for Council Tax and/or Non Domestic Rates	1,843	
345,000	New long-term loans raised	0	
110,034	New short-term loans raised	128,000	
<b>194,017</b>	<b>Net cash flow from financing activities</b>		<b>99,273</b>
<b>21,157</b>	<b>Net increase/decrease (-) in cash and cash equivalents</b>		<b>-20,374</b>
<b>14,571</b>	<b>Cash and cash equivalents at 1 April</b>		<b>35,728</b>
<b>35,728</b>	<b>Cash and cash equivalents at 31 March</b>		<b>15,354</b>

# COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT EXPLANATORY NOTES

## 1. a) EXPENDITURE AND FUNDING ANALYSIS

### 2022/23

	Net Expenditure Chargeable to the General Fund & HRA Balances £000	Adjustments between Funding and Accounting Basis (Note 1.(b)) £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)	-6,666	380	-6,286
Investment Programme Projects (General Fund)	126	-5,562	-5,436
<b>NET COST OF SERVICES</b>	<b>8,420</b>	<b>17,865</b>	<b>26,285</b>
Other income and expenditure	1,028	-15,593	-14,565
<b>Surplus(-) or deficit on Provision of Services</b>	<b>9,448</b>	<b>2,272</b>	<b>11,720</b>
Opening General Fund & HRA Balance at 1 April	32,674		
Deficit(-)/Surplus on General Fund & HRA Balance in Year	-9,448		
<b>Closing General Fund &amp; HRA Balance at 31 March</b>	<b>23,226</b>		

### 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	-11,015	1,567	-9,448
<b>Closing General Fund &amp; HRA Balance at 31 March</b>	<b>18,714</b>	<b>4,512</b>	<b>23,226</b>

### 2021/22

	Net Expenditure Chargeable to the General Fund & HRA Balances £000	Adjustments between Funding and Accounting Basis (Note 1.(b)) £000	Net Expenditure in the Comprehensive Income & Expenditure Statement £000
People	9,579	338	9,917
Place	-4,790	18,221	13,431
Us	5,370	458	5,828
Council Housing (Housing Revenue Account)	-4,411	-151	-4,562
Investment Programme Projects	2,949	-13,078	-10,129
<b>NET COST OF SERVICES</b>	<b>8,697</b>	<b>5,788</b>	<b>14,485</b>
Other income and expenditure	3,804	-23,078	-19,274
<b>Surplus(-) or deficit on Provision of Services</b>	<b>12,501</b>	<b>-17,290</b>	<b>-4,789</b>
Opening General Fund & HRA Balance at 1 April	45,175		
Deficit(-)/Surplus on General Fund & HRA Balance in Year	-12,501		
<b>Closing General Fund &amp; HRA Balance at 31 March</b>	<b>32,674</b>		

### Analysed between General Fund & HRA Balances

	General Fund £000	HRA £000	Total £000
Opening General Fund & HRA Balance at 1 April	40,637	4,538	45,175
Less Deficit/Surplus(-) on General Fund & HRA Balance in Year	-10,908	-1,593	-12,501
<b>Closing General Fund &amp; HRA Balance at 31 March</b>	<b>29,729</b>	<b>2,945</b>	<b>32,674</b>

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

Adjustments to arrive at the Comprehensive Income and Expenditure Statement amounts in 2022/23	Adjustments for Capital Purposes (Note i)	Net change for the Pensions Adjustments (Note ii)	Other Differences (Note iii)	Total Adjustments
	£000	£000	£000	£000
People	6,556	545	0	7,101
Place	-168	582	0	414
Us	-57	561	15,028	15,532
Council Housing (Housing Revenue Account)	0	342	38	380
Investment Programme - REFFCUS (Note vi)	8,369	0	0	8,369
Investment Programme - Grants/Other Income (Notes vii)	0	0	-13,931	-13,931
	14,700	2,030	1,135	17,865
<b>Other income and expenditure from the Funding Analysis (Note v)</b>	-12,707	1,609	-4,495	-15,593
<b>Difference between the General Fund and Comprehensive Income and Expenditure Surplus or Deficit (Note iv)</b>	<b>1,993</b>	<b>3,639</b>	<b>-3,360</b>	<b>2,272</b>

## Notes

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

ii) Column includes pension adjustments required by IAS19.

iii) Column includes:

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

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

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

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

vii) Row includes grants related to Investment Programme Projects.

Adjustments to arrive at the Comprehensive Income and Expenditure Statement amounts in 2021/22	Adjustments for Capital Purposes (Note i)	Net change for the Pensions Adjustments (Note ii)	Other Differences (Note iii)	Total Adjustments
	£000	£000	£000	£000
People	-394	732	0	338
Place	2,362	807	15,052	18,221
Us	0	731	-273	458
Council Housing (Housing Revenue Account)	-498	334	13	-151
Investment Programme - REFFCUS (Note vi)	-4,953	0	0	-4,953
Investment Programme - Grants/Other Income (Notes vii)	0	0	-8,125	-8,125
	-3,483	2,604	6,667	5,788
<b>Other income and expenditure from the Funding Analysis (Note v)</b>	-14,116	1,451	-10,413	-23,078
<b>Difference between the General Fund and Comprehensive Income and Expenditure Surplus or Deficit (Note iv)</b>	<b>-17,599</b>	<b>4,055</b>	<b>-3,746</b>	<b>-17,290</b>

## 2. AGENCY SERVICES

The Council administered on-street parking arrangements in Woking and Surrey Heath, bus lane enforcement, town centre maintenance functions and tree and verge maintenance on behalf of Surrey County Council in 2022/23. Rent is collected on behalf of Thamesway Housing Limited and paid over to them but is not recorded as income or expenditure in the Council's own financial statements. The Council also acted as an agent for the government in the payment of mandatory COVID grants (£3.9 million of business support grants in 2022/23, £4.4 million in 2021/22, and £0 test and trace grants in 2022/23, £0.128 million in 2021/22).

## 3. MEMBERS' ALLOWANCES

Members' Allowances of £0.285 million are included in the Comprehensive Income and Expenditure Statement for 2022/23, compared with £0.281 million for 2021/22. This includes telephone, broadband, Blackberry/iPad, travel and dependant care allowances. In addition, all Members qualify for Car Park Season tickets.

## 4. OPERATING LEASES

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

	<u>Lease Payments</u>	
	2021/22 £'000	2022/23 £'000
Property	847	1,036
Vehicles	272	284
	<b>1,119</b>	<b>1,320</b>

	<u>Lease payments due:</u>		
	Within 1 year £'000	2-5 years £'000	Over 5 years £'000
<u>2022/23</u>			
Property	461	688	2,598
Vehicles	218	165	20
	<b>679</b>	<b>853</b>	<b>2,618</b>
<u>2021/22</u>			
Property	561	809	2,221
Vehicles	218	116	0
Other Equipment	15	15	15
	<b>794</b>	<b>940</b>	<b>2,236</b>

In addition the Council generates income from property leases, amounting to £22.8 million in 2022/23 (£21.5 million in 2021/22). The provision for irrecoverable debts has been decreased by £0.783 million reflecting change from the difficult financial environment experienced by some tenants during the pandemic last year. Ongoing leases will generate future income of £18.2 million in 2024/25, £43.06 million in 2025/26 to 2027/28 and £141.7 million from 2028/29 onwards.

## 5. RELATED PARTIES

The only material related party relationships involving Members or Chief Officers in 2022/23 are in respect of the Council's subsidiary companies and joint ventures. Details of investments in companies in the Thamesway group and other joint ventures and subsidiaries during the year, along with the loans made to these companies during 2022/23, are detailed fully in note 6 and note 7 to the Balance Sheet.

The Council paid Thamesway Energy Limited (TEL) £2.7 million for the provision of energy services to council owned properties, £4.8 million for TDL for Leisure Centre works and £0.140 million for other developmental costs, £0.033 million to TL, £2.9 million to Thamesway Housing Limited for Island properties demolished. Income of £0.979 million was received from the sale of surplus energy, rents and in respect of administrative support and trademark licence fees.

The Council made loans to Thamesway Central Milton Keynes Ltd (TCMK), £2.56 million, Thamesway Housing, £13.83 million, Thamesway Housing Limited for Sheerwater Purple Phase, £49.15 million, Victoria Square Woking Ltd, £59.99 million, to provide the companies with resources to advance their 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.

## 6. EXTERNAL AUDIT FEES

	2021/22 £'000	2022/23 £'000
Fees payable to the external auditors (as set by Public Sector Audit Appointments - currently under review):		
- in respect of statutory Code of Practice audits	42	42
- for the certification of grant claims and returns	15	15
	<u>57</u>	<u>57</u>

## 7. REVALUATION GAINS AND LOSSES

The net revaluation movement recognised in the Surplus/Deficit on the Provision of Services included a £6.412 million and £5.462 million revaluation loss on Other Land and Buildings\Assets Under Construction and Investment Property assets respectively in 2022/23 (£1.757 million and £12.459 million in 2021/22). See note 1 in the notes to the Balance Sheet for the overall revaluation movement on these classes of assets. Revaluation losses are charged to the Comprehensive Income and Expenditure Statement for assets which do not have a sufficient balance on the Revaluation Reserve to cover their fall in value. Changes in the fair value of Investment Property are reported separately on the Comprehensive Income and Expenditure Statement.

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



## 8. TERMINATION BENEFITS

Cost band	Number of Employees	
	2021/22	2022/23
£0 - £20,000	2	4
£20,001 - £40,000	2	4
£40,001 - £60,000	1	2
£60,001 - £80,000	0	1
£80,001 - £100,000	0	0
	<b>5</b>	<b>11</b>

The total cost of termination benefits to the authority's Comprehensive Income and Expenditure Statement in the current year is £0.302 million (£0.128 million in 2021/22). There were 11 voluntary redundancies in 2022/23, no compulsory redundancies (in 2021/22 there were 4 voluntary and 1 compulsory redundancies).

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

Remuneration band	Number of Employees	
	2021/22	2022/23
£50,000 to £54,999	15	12
£55,000 to £59,999	8	15
£60,000 to £64,999	6	10
£65,000 to £69,999	8	9
£70,000 to £74,999	4	9
£75,000 to £79,999	4	2
£80,000 to £84,999	1	2
£85,000 to £89,999	0	2
£90,000 to £94,999	2	1
£95,000 to £99,999	2	1
£100,000 to £104,999	1	0
£105,000 to £109,999	0	0
£110,000 to £114,999	0	1
£115,000 to £119,999	0	1
£150,000 to £154,999	1	1
	<b>52</b>	<b>66</b>

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

## 10. PAYMENTS TO SENIOR MANAGERS

Annual remuneration paid to Senior Officers who are defined as Corporate Leadership Team members.

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)	--- 2021/22 ---	----- 2022/23 -----				
	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)	180,895	154,784	0	154,784	26,181	180,964
Head of Legal and Democratic Services (Note 2 & 8)	83,583	0	0	0	0	0
Director of Legal and Democratic Services (Note 2 & 8)	106,828	94,743	0	94,743	15,725	110,468
Finance Director (Chief Finance Officer) (Note 3)	89,574	79,837	0	79,837	13,077	92,914
Director of Neighbourhood Services (Note 4 & 8)	114,686	87,207	77,422	164,629	2,135	166,763
Director of Planning (21/22), Strategic Director - Place (22/23) (Note 5 & 8)	119,351	0	0	0	0	0
Strategic Director - Place (22/23) (Note 7 & 8)	0	115,938	0	115,938	19,272	135,209
Director of Housing (21/22), Strategic Director - Communities (22/23) (Note 6 & 8)	112,689	0	0	0	0	0
Strategic Director - Communities (Note 6 & 8)	0	111,629	0	111,629	18,673	130,302
Strategic Director - Corporate resources	0	74,089	0	74,089	12,351	86,440

Note 1: Chief Executive started on 1st April 2021. Julie Fisher was in post for the whole financial year 2022/2023.

Note 2: The Director of Legal and Democratic Services left in June 2021, post redundant.

Note 3: The Finance Director worked 30 hours per week. The annualised remuneration is equivalent to £97,770 in 2022/23

Note 4: The Director of Neighbourhood Services left in May 2022, post redundant.

Note 5: The Director of Planning started on 12th April 2021, left in May 2023, post redundant.

Note 6: In 2022/23 post of Director of Housing was replaced with post of Strategic Director - Communities.

Note 7: In 2022/23 post of Director of Planning was replaced with post of Strategic Director - Place.

Note 8: Includes payments for a Borough Election held on 5th May 2022.

## 11. EXPENDITURE AND INCOME ANALYSED BY NATURE

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

<b>Expenditure/Income</b>	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>
<b>Expenditure</b>		
Employee benefit expenses	25,712	27,029
Other services expenses	61,483	58,433
Depreciation, amortisation, impairment	1,772	28,472
Interest payments	47,038	51,238
Payments to Housing Capital Receipts Pool	536	0
<b>Total Expenditure</b>	<b>136,541</b>	<b>165,172</b>
<b>Income</b>		
Fees, charges and other service income	91,130	96,438
Interest and investment income	32,455	38,213
Income from council tax and non-domestic rates	12,441	12,750
Government grants and contributions	5,304	6,051
<b>Total Income</b>	<b>141,330</b>	<b>153,452</b>
<b>Surplus (-) or Deficit on the Provision of Services</b>	<b>-4,789</b>	<b>11,720</b>

## 12. INVESTMENT PROGRAMME REVENUE PROJECTS

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

## MOVEMENT IN RESERVES STATEMENT EXPLANATORY NOTES

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

	2021/22 £'000	2022/23 £'000
<b>Surplus (-) or deficit for the year on the Comprehensive Income and Expenditure Statement</b>	-4,789	11,720
<b>Amounts included in the Comprehensive Income and Expenditure Statement but required by statute to be excluded when determining the General Fund Balance for the year</b>		
Depreciation and impairment of fixed assets	-4,037	-3,875
Revaluation of fixed assets	1,147	-11,874
Capital grants with no outstanding conditions	8,669	13,700
Write down of Revenue Expenditure Funded by Capital Under Statute	4,950	-8,368
Usable capital receipts used to offset Sale of Council Houses Admin		-9
Net gain/loss on sale of fixed assets	0	220
Amounts by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	19	19
Adjustments made for accumulated absences	-103	-68
Net charges made for retirement benefits in accordance with IAS19	-4,055	-3,639
	6,590	-13,894

#### **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	7,413	8,194
Transfer to/from Collection Fund adjustment account	3,850	3,427
Transfer from Capital Receipts Reserve to meet payments to the Housing Capital Receipts Pool	-536	0
	10,727	11,621
<b>Surplus (-) or deficit for year adjusted as required by regulation</b>	<b>12,528</b>	<b>9,448</b>

#### **Movement on the General Fund Balance**

Balance on General Fund brought forward	1,497	1,500
Surplus or deficit(-) for year adjusted as required by regulation (above)	-12,528	-9,448
Transfer to (-) or from (+) Housing Revenue Account Balance	3	-2,611
Transfer to (-) or from (+) Earmarked Reserves	12,528	12,059
Increase in General Fund Balance for the Year	3	0
Balance on General Fund carried forward	<b>1,500</b>	<b>1,500</b>

#### **Movement in Earmarked Reserves**

Balance brought forward	43,336	30,837
Transfer to (-) or from (+) General Fund Balance	-12,528	-12,059
Use of Earmarked Reserves to finance capital expenditure	29	0
Movement in year	-12,499	-12,059
Balance carried forward	<b>30,837</b>	<b>18,778</b>

## 2. EARMARKED RESERVES

	Balance	Transfers	Transfers	Balance	Transfers	Transfers	Balance
	Apr-21	In	Out	Apr-22	In	Out	Mar-23
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b><u>General Fund</u></b>							
Investment Strategy Reserve	2,408	7,953	-9,258	1,103	100	-1,203	0
Community Fund	545	0	-545	0			0
Wolsey Place Reserve	3,583	0	-3,583	0			0
Group Company Reserve	750		-750	0			0
New Homes Bonus Reserve	1,245	80		1,325		-1,325	0
Equipment Reserve	480	50		530		-530	0
Business Rate Equalisation	9,576		-6,380	3,196			3,196
PFI Reserve	2,739			2,739	270		3,009
Victoria Square Reserve	3,349	1,230		4,579		-4,579	0
MTFS Reserve	3,868			3,868		-3,868	0
Town Centre Management Agreement Reserve	451	119		570			570
Off Street Parking Reserve	2,000			2,000			2,000
Syrian Refugee Reserve	1,207		-14	1,193	1,057		2,250
Homelessness Support Reserve	182	1		183			183
HS2 Reserve	2,800			2,800			2,800
Dukes Court Reserve	3,273			3,273		-893	2,380
Other Reserves	683	213	-26	870	0	-44	826
	<b>39,139</b>	<b>9,646</b>	<b>-20,556</b>	<b>28,229</b>	<b>1,427</b>	<b>-12,442</b>	<b>17,214</b>
<b><u>Housing Revenue Account</u></b>							
Housing Investment Programme	4,201		-1,593	2,608		-1,044	1,564
<b>Total Earmarked Reserves</b>	<b>43,340</b>	<b>9,646</b>	<b>-22,149</b>	<b>30,837</b>	<b>1,427</b>	<b>-13,486</b>	<b>18,778</b>

## **2. EARMARKED RESERVES (cont.)**

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

The Community Fund was established in 1982 to provide financial assistance to qualifying community organisations for the provision of new or improved facilities, or maintenance thereof for the benefit of persons living within the Borough. The criteria were extended in October 1984 to enable applications to be considered individually on merit from a wider range of local organisations established and operating for the residents of the Borough. This fund has been appropriated to the Investment Strategy Reserve in 2021-22.

The Wolsey Place Reserve was established in 2009/10 to meet any market variations in rental income and other costs incurred during redevelopment phases. In September 2011 it was credited with a £10 million receipt on surrender of a lease by a tenant of Export House. The balance has partly been used to mitigate costs relating to the property in particular until new tenants were identified. This reserve has been appropriated to the Investment Strategy Reserve in 2021-22.

The Group Company Reserve was established during 2010/11 to provide a fund against the risks associated with the Thamesway group company business plans. This reserve has been appropriated to the Investment Strategy Reserve in 2021-22.

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

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

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

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

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

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

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

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

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

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

## 2. EARMARKED RESERVES (cont.)

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

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

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

## 3. USABLE CAPITAL RECEIPTS

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

	2021/22	2022/23
	£'000	£'000
<b>Balance brought forward at 1 April</b>	<b>63,935</b>	<b>7,595</b>
<u>Movements in realised capital resources</u>		
Amounts receivable	41,640	17,646
Amounts transferred to DCLG for Pooling	-536	0
Amounts used to offset Sale of Council Houses Admin	-26	-9
Application of Receipts for Repayment of Debt	* -94,052	-14,368
Amounts applied to finance new capital expenditure	-3,366	-3,450
<b>Total increase/decrease(-) in realised capital resources</b>	<b>-56,340</b>	<b>-181</b>
<b>Balance carried forward at 31 March</b>	<b>7,595</b>	<b>7,414</b>
Held for other investment programme use	7,595	7,414
	<b>7,595</b>	<b>7,414</b>

\* Restated by £69.410m to reflect the application of company loan repayments [capital receipts] to the capital

## 4. MAJOR REPAIRS RESERVE

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

	2021/22	2022/23
	£'000	£'000
<b>Balance brought forward at 1 April</b>	<b>16</b>	<b>611</b>
HRA Depreciation transferred from Capital Adjustment Account	3,861	4,295
Expenditure financed from the Major Repairs Reserve	-3,266	-3,865
<b>Total movement on the Major Repairs Reserve</b>	<b>595</b>	<b>430</b>
<b>Balance carried forward at 31 March</b>	<b>611</b>	<b>1,041</b>

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

## 5. CAPITAL GRANTS UNAPPLIED

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

	2021/22	2022/23
	£'000	£'000
<b>Balance brought forward at 1 April</b>	<b>3,155</b>	<b>4,681</b>
Usable capital grants receivable	5,062	13,700
Use of current year capital grants to finance capital expenditure	2,724	-12,579
Grant income transferred to I&E	-5,062	0
Use of prior year capital grants to finance capital expenditure	-1,198	-2,660
<b>Total movement on Capital Grants Unapplied</b>	<b>1,526</b>	<b>-1,539</b>
<b>Balance carried forward at 31 March</b>	<b>4,681</b>	<b>3,142</b>

## 6. REVALUATION RESERVE

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

	2021/22	2022/23
	£'000	£'000
<b>Balance brought forward at 1 April</b>	<b>115,081</b>	<b>115,080</b>
Restatement of opening balance*	0	-12
<u>Movements in unrealised value of fixed assets</u>		
Gains \ losses(-) on revaluation of fixed assets	2,701	-5,425
Depreciation On Revalued Assets	-1,402	-988
Total increase in unrealised capital resources	1,299	-6,413
<u>Value of assets sold, disposed of or decommissioned</u>		
Amounts written off fixed asset balances for disposals	-1,300	0
<b>Balance carried forward at 31 March</b>	<b>115,080</b>	<b>108,655</b>

\* The opening balance for 2021/22 has been restated by £0.012 million to correct an historical imbalance between the statement on accounts and the council's underlying accounting records.

## 7. PENSIONS RESERVE

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

	2021/22	2022/23
	£'000	£'000
<b>Balance brought forward at 1 April</b>	<b>-82,217</b>	<b>-67,232</b>
Difference between amounts charged to the Comprehensive Income and Expenditure Statement and actual amounts payable in the year	-4,055	-3,639
Actuarial gains/(losses)	19,040	48,994
<b>Total movement on the pension reserve</b>	<b>14,985</b>	<b>45,355</b>
<b>Balance carried forward at 31 March</b>	<b>-67,232</b>	<b>-21,877</b>

For further information on the Pension Fund, see pensions explanatory notes.



## 8. 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.

	2021/22	2022/23
	£'000	£'000
<b>Balance brought forward at 1 April</b>	<b>7,020</b>	<b>81,520</b>
<u>Amounts applied to Capital Investment:</u>		
Useable receipts applied	3,366	3,450
Amounts applied from Major Repairs Reserve	3,265	3,865
<b>Total amounts applied to Capital Investment</b>	<b>6,631</b>	<b>7,315</b>
	<b>2021/22</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>
<u>Amounts transferred to the General Fund balance</u>		
Write down Revenue Expenditure Funded by Capital Under Statute	4,950	-8,368
Grants and Contributions applied	5,945	12,596
Grant and Contributions applied from prior year grants	1,198	2,660
Provision for loan repayment (MRP)	7,413	8,194
Repayment of Debt Using Capital Receipt	* 94,052	14,368
Less: Depreciation	-4,037	-3,875
Plus: Depreciation on Revalued Assets	1,402	988
<b>Total transfer to the General Fund</b>	<b>110,923</b>	<b>26,563</b>
Transfer HRA depreciation to Major Repairs	-3,861	-4,295
Write down of long term debtors	-10,984	-14,368
Disposal Of Fixed Assets	-29,356	-3,058
Investment Property Revaluations	2,904	-5,462
Revaluation increase/decreases recognised in the Provision of Services	-1,757	-6,412
<b>Total increase in amounts set aside to finance capital investment</b>	<b>74,500</b>	<b>283</b>
<b>Balance carried forward at 31 March</b>	<b>81,520</b>	<b>81,803</b>

\* Restated by £69.410m to reflect the application of company loan repayments [capital receipts] to the capital

## 9. FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

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

	2021/22	2022/23
	£'000	£'000
<b>Balance brought forward at 1 April</b>	<b>-944</b>	<b>-925</b>
<u>Movements in financial instruments</u>		
Overhanging premia written off to I&E	16	16
Being adjustment to I&E to reflect LOBO Effective Interest Rate	3	3
<b>Total adjustment in financial instruments</b>	<b>19</b>	<b>19</b>
<b>Balance carried forward at 31 March</b>	<b>-925</b>	<b>-906</b>

## 10. EMPLOYEE BENEFITS RESERVE

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

	2021/22	2022/23
	£'000	£'000
<b>Balance brought forward at 1 April</b>	<b>-304</b>	<b>-407</b>
Movement in year - General Fund	-89	-30
Movement in year - HRA	-14	-38
<b>Total adjustment</b>	<b>-103</b>	<b>-68</b>
<b>Balance carried forward at 31 March</b>	<b>-407</b>	<b>-475</b>

## 11. COLLECTION FUND ADJUSTMENT ACCOUNT

Collection Fund Adjustment Account - The Comprehensive Income and Expenditure Statement shows the accrued amounts due to the Council from the Collection Fund in year. A reversal to the Collection Fund Adjustment Account is required to reflect the statutory position. The balance on this account is shown below.

	31 March 2022	31 March 2023
	£'000	£'000
Balance on Collection Fund Adjustment Account:		
- Council Tax	224	426
- Business Rates	-4,951	-1,726
	<b>-4,727</b>	<b>-1,300</b>

Council's share of in-year Collection Fund surplus/deficit - The collection fund is accounted for on an agency basis. The balance below represents the Council's in year surplus or deficit on the Collection Fund.

	2021/22	2022/23
	£'000	£'000
Council's share of in-year Collection Fund surplus/deficit (-) : Council Tax	348	78

# BALANCE SHEET EXPLANATORY NOTES

## 1. MOVEMENT OF NON-CURRENT ASSETS

The table below provides a reconciliation from the carrying amount of fixed 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	TOTAL
<u>Cost or Valuation</u>	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>At 1 April 2022</b>	346,595	158,033	27,837	15,105	348,795	54,259	969	884	952,477
Additions	5,228	4,116	1,784	0	3,493	3,248	34	0	17,903
Accumulated Depreciation & Impairment Written Off	0	-1,027	0	0	0	0	0	0	-1,027
To Gross Carrying Amount	-11,112	5,686	0	0	0	0	0	0	-5,425
Revaluation increases/decreases(-) recognised in the Revaluation Reserve	0	-6,412	0	0	-5,462	0	0	0	-11,874
Revaluation increases/decreases(-) recognised in the Surplus/Deficit on the Provision of Services	-2,533	0	0	0	-100	-425	0	0	-3,058
Derecognition - Disposals	833	-4	-1	1	-1	-833	-1	0	0
Derecognition - Other									
Other Movement In Costs or Valuation									
<b>At 31 March 2023</b>	<b>339,012</b>	<b>160,392</b>	<b>29,620</b>	<b>15,106</b>	<b>346,725</b>	<b>56,249</b>	<b>1,002</b>	<b>884</b>	<b>948,990</b>
<b>Accumulated Depreciation &amp; Impairment</b>									
<b>At 1 April 2022</b>	-7,600	-4,561	-20,895	0	0	0	-850	0	-33,906
Depreciation Charge In Year	-4,295	-2,129	-1,704	0	0	0	-43		-8,171
Accumulated Depreciation & Impairment Written Off	0	1,027	0	0	0	0	0	0	1,027
To Gross Carrying Amount	0	0	0	0	0	0	0	0	0
Derecognition - Other	-11,895	-5,663	-22,599	0	0	0	-893	0	-41,050
<b>At 31 March 2023</b>									
<b>Net Book Value</b>									
At 31 March 2023	327,117	154,729	7,021	15,106	346,725	56,249	109	884	907,939
At 31 March 2022	338,995	153,472	6,942	15,105	348,795	54,259	119	884	918,571

# 1. MOVEMENT OF NON-CURRENT ASSETS (cont.)

<b>Cost or Valuation</b>		<b>Council Dwellings</b>	<b>Other Land &amp; Buildings</b>	<b>Vehicles, Plant &amp; Equipment</b>	<b>Community Assets</b>	<b>Investment Properties</b>	<b>Assets Under Construction</b>	<b>Intangible Assets</b>	<b>Heritage Assets</b>	<b>TOTAL</b>
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>At 1 April 2021</b>		305,796	172,927	26,175	15,105	329,716	67,232	956	918	918,825
<b>Opening Balance Adjustment*</b>			-1,780							
<b>Additions</b>		10,737	220	1,662	0	16,875	34,142	13	0	63,649
<b>Accumulated Depreciation &amp; Impairment Written Off</b>										
<b>To Gross Carrying Amount</b>		0	-1,408	0	0	0	0	0	0	-1,408
<b>Revaluation increases/decreases(-) recognised in the Revaluation Reserve</b>		19,625	-18,190	0	0	0	1,300	0	-34	2,701
<b>Revaluation increases/decreases(-) recognised in the Surplus/Deficit on the Provision of Services</b>		0	-1,757	0	0	2,904	0	0	0	1,147
<b>Derecognition - Disposals</b>		-4,014	-25,942	0	0	-700	0	0	0	-30,656
<b>Other Movement In Costs or Valuation</b>		14,451	33,963	0	0	0	-48,415	0	0	-1
<b>At 31 March 2022</b>		<b>346,595</b>	<b>158,033</b>	<b>27,837</b>	<b>15,105</b>	<b>348,795</b>	<b>54,259</b>	<b>969</b>	<b>884</b>	<b>952,477</b>
<b>Accumulated Depreciation &amp; Impairment</b>										
<b>At 1 April 2021</b>		-3,739	-5,321	-19,339	0	0	0	-797	0	-29,196
<b>Opening Balance Adjustment*</b>		0	1,780	0	0	0	0	0	0	0
<b>Depreciation Charge in year</b>		-3,861	-2,428	-1,556	0	0	0	-53	0	-7,898
<b>Accumulated Depreciation &amp; Impairment Written Off</b>										
<b>To Gross Carrying Amount</b>		0	1,408	0	0	0	0	0	0	1,408
<b>At 31 March 2022</b>		<b>-7,600</b>	<b>-4,561</b>	<b>-20,895</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-850</b>	<b>0</b>	<b>-33,906</b>
<b>Net Book Value</b>										
<b>At 31 March 2022</b>		338,995	153,472	6,942	15,105	348,795	54,259	119	884	918,571
<b>At 31 March 2021</b>		302,057	167,606	6,836	15,105	329,716	67,232	159	918	889,629

\* 1 April 2021 opening balances for cost or valuation and accumulated depreciation and impairment have been restated to reflect the balances in the fixed asset register. This restatement does not impact on the net book value.

### 1. MOVEMENT OF NON-CURRENT ASSETS (cont.)

(a) Council Dwellings have been revalued as at 31 March 2023. Classes of assets based on type are revalued on a five year rolling programme as a minimum. Assets are revalued more regularly where a five yearly valuation is insufficient to keep pace with material changes in fair value.

(b) For further details of revaluation gain and losses charged to the Comprehensive Income and Expenditure and the Revaluation Reserve, see note 7 in the Comprehensive Income and Expenditure Statement Explanatory Notes and note 6 in the Movement in Reserves Statement Explanatory Notes, respectively.

### 2. HERITAGE ASSETS

The Council owns the following heritage assets:

	2021/22		2022/23	
	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
	<b>27</b>	<b>884</b>	<b>27</b>	<b>884</b>

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

The Council owns Woking Palace, a Scheduled Historic Monument. It was the former hunting lodge of King Henry VIII, although now it is mainly a ruin, set within a moated area. There is a small vaulted building which remains, although this is in poor condition. It is not possible to value this asset as the methods, skills and materials to rebuild it no longer exist. Historic cost information is not available as it was originally built 600 years ago and therefore it is not included in the balance sheets at 31 March 2023 or 31 March 2022.

### 3. CAPITAL EXPENDITURE AND FINANCING

	2021/22 £'000	2022/23 £'000
<u>Capital Investment</u>		
Property, Plant and Equipment	36,832	14,376
Investment Properties	16,875	3,493
Intangible Assets	13	34
Revenue Expenditure Funded from Capital under Statute	<u>-4,950</u>	<u>8,368</u>
	<b>48,770</b>	<b>26,271</b>
Investments in Group Companies - Loans	184,539	125,533
Long Term (LT) Debtors	<u>6,865</u>	<u>1,449</u>
	<b>240,174</b>	<b>153,253</b>

### 3. CAPITAL EXPENDITURE AND FINANCING (cont.)

	2021/22 £'000	2022/23 £'000
<u>Sources of Finance</u>		
Capital Grant and Contributions	7,143	15,256
Borrowing - Capital Investment	44,924	3,672
Borrowing - Other	181,476	127,010
Reserves	3,265	3,865
Capital Receipts	3,366	3,450
	<b>240,174</b>	<b>153,253</b>
Opening Capital Financing Requirement	1,814,610	1,939,345
Increase in underlying need to borrow (unsupported by government financial assistance)	226,200	130,682
Repayment of Debt Using Capital *	-94,052	-14,368
Minimum revenue provision	-7,413	-8,194
<b>Closing Capital Financing Requirement</b>	<b>1,939,345</b>	<b>2,047,465</b>

\* Restated to include company loan repayments [capital receipts]

### 4. CAPITAL COMMITMENTS

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

	2022 £'000	2023 £'000
Victoria Square	54,140	18,400
Acquisition of Car Park (Victoria Square)	58,000	0
Greenfield School	2,238	0
Victoria Arch and Other Town Centre Integrated Transport/Infrastructure Works	70,586	0
CCTV Infrastructure Upgrade & Control Room	739	0
Car Park Management System	1,033	350
Sheerwater Regeneration	0	63,000
New Build Housing	3,121	0
	<b>189,857</b>	<b>81,750</b>

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.

## 5. FIXED ASSET VALUATION

The Council's freehold and leasehold properties have been valued on a five year rolling programme. Assets are revalued more regularly where a five yearly valuation is insufficient to keep pace with material changes in value. General Fund asset valuations have been carried out by RICS Registered Valuers (Wilks Head & Eve) reporting to the qualified officers of the Council's Estate Management Section. Valuations for Council Dwelling related assets have been carried out by the Council's Estate Management Section. The latest valuations have been completed at 31 March 2023.

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

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

Investment Properties and Assets Held For Sale are valued at Fair Value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In arriving at the fair value of the asset, the highest and best use of the property is deemed to be its current use. IFRS 13 seeks to increase consistency in the valuation process through the fair value hierarchy. There are three levels of categories within this hierarchy:

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

The Fair Value valuations carried out in 2022/23 were all at level 2. The typical valuation inputs used were:

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

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

Infrastructure	25,000
Land	5,000
Buildings	10,000
Plant	5,000
Vehicles	5,000
Other Equipment (excluding IT)	1,000

## 6. LONG TERM INVESTMENTS

	31 March 2022 £'000	31 March 2023 £'000
<u>Shareholdings in Companies</u>		
Thameswey Limited	31,193	31,193
Woking Necropolis and Mausoleum Limited	6,000	6,000
Woking Town Centre Management	1	1
Victoria Square Woking Limited	14	14
Local Capital Finance Company	50	50
Surrey Save Credit Union	50	50
Kingfield Community Sports Centre	500	500
	<b>37,808</b>	<b>37,808</b>

## 7. LONG-TERM DEBTORS

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

	31 March 2022 £'000	31 March 2023 £'000
Thameswey Energy Limited	9,896	8,526
Thameswey Central Milton Keynes Limited	35,223	36,725
Thameswey Housing Limited	269,427	283,045
Thameswey Housing (Sheerwater)	90,168	139,319
Thameswey Solar Limited	817	725
Thameswey Developments (THL)	47,250	47,250
Thameswey Developments (S/W Leisure)	10,979	10,743
Thameswey Developments (Sheerwater)	5,000	5,000
Thameswey Developments (TEL)	38,845	38,812
Rutland Woking Limited	1,632	1,632
Victoria Square Woking Limited	645,860	700,834
Mortgages	1,793	1,470
Peacocks	6,350	0
Greenfield School	11,262	13,138
Byfleet Scouts	100	100
Woking Football Club	75	75
Freedom Leisure	1,640	1,573
Kingfield Community Sports Loan	1,500	1,500
Busyn Ltd\Gordon Ramsey	1,722	1,689
Other Long Term Debtors	26	18
Repayments due within 1 year	-39,554	-14,897
	<b>1,140,011</b>	<b>1,277,277</b>

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

- i) other deferred debtors in respect of car purchase and other loans to Council employees, and a loan agreement with Woking Hockey Club.



## 8. DEBTORS AND PREPAYMENTS

	31 March 2022 £'000	31 March 2023 £'000
<u>Government</u>		
Other Central Government Bodies	2,103	3,261
Other Local Authorities	411	0
<u>Non Government</u>		
Local Tax Payers	1,918	2,555
Housing Rents, Rates & Water	2,274	2,603
Rechargeable Works	130	129
Sundry Debtors	34,544	15,142
Prepayments	1,565	918
Accrued Interest on Long Term Debtors	2,836	13,034
Long term Debtors amounts due within 1 year	39,554	14,897
Bad Debt Provision – see below	-7,410	-6,672
	<b>77,925</b>	<b>45,866</b>

The Bad Debt Provision was made up of:

	2022 £'000	2023 £'000
Housing Rents	908	1,143
Other Sundry Debtors	3,293	1,882
Managing Agents	338	244
Benefits	1,219	1,284
Housing Deposits	495	495
Council Tax	255	276
Rechargeable Works	5	5
	<b>7,410</b>	<b>6,672</b>

## 9. CASH AND CASH EQUIVALENTS

	31 March 2022 £'000	31 March 2023 £'000
Cash	3,722	5,315
Deutsche Bank Advisors	2,000	0
Federated Prime Rate Liquidity Fund	30,006	10,039
	<b>35,728</b>	<b>15,354</b>

## 10. CREDITORS AND RECEIPTS IN ADVANCE

	31 March 2022 £'000	31 March 2023 £'000
<u>Government</u>		
Central Government Bodies	23,351	12,749
Other Local Authorities	2,099	3,567
<u>Non Government</u>		
Local Tax Payers	1,143	1,442
Housing Rents	542	628
Rechargeable Works	82	84
Sundry Creditors	15,268	16,604
	<b>42,477</b>	<b>35,076</b>

## 11. CAPITAL GRANTS RECEIPTS IN ADVANCE

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

	2022 £'000	2023 £'000
<b>Balance brought forward at 1 April</b>	<b>16,025</b>	<b>17,465</b>
Capital grants receivable	5,079	7,910
Use of grant to finance capital expenditure	-3,607	-11,031
Use of grant to finance revenue projects	-32	0
<b>Total movement on Capital Grants</b>	<b>1,440</b>	<b>-3,121</b>
<b>Balance carried forward at 31 March</b>	<b>17,465</b>	<b>14,344</b>

Of the total grants received in advance, £0.943 million relates to contributions from developers (£1.965 million in 2021/22).

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

## 12. COLLECTION FUND

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

The balance relating to Woking Borough Council is included in the reserves in the Balance Sheet, see Movement in Reserves Statement note 11. The remaining balances relating to Surrey County Council and Surrey Police and Crime Commissioner are included in the relevant creditor/debtor balances in the balance sheet. For further details see notes to the Collection Fund.

### 13. PROVISIONS

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. A provision has also been made in respect of the Council's share of business rates valuation appeals over which there is uncertainty as they are determined by the Valuation Office (not by the Council). The provisions are shown in the table below.

	Long Term Land Charges £000	Long Term Business Rate Appeals £000	Long Term Total £000
Balance b/f	23	2,596	2,619
Increase in Provision	0	141	141
Amounts used	0	-52	-52
<b>Balance c/f</b>	<b>23</b>	<b>2,685</b>	<b>2,708</b>

### 14. 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 2023. The review identified that the maximum cost for Woking was £0.544 million (£0.544 million at 31 March 2022).

### 15. 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.

### 16. EVENTS AFTER THE BALANCE SHEET DATE

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

#### Section 114 Notice

On 7 June 2023, the then Section 151 Officer issued the Council with a Section 114 Notice. The notice was required because the Council'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 the Council's historic investment strategy that had resulted in unaffordable borrowing, inadequate steps to repay that borrowing, and high values of irrecoverable loans. The notice stated that against available core funding of £16 million in the 2023/24 financial year (£19 million in 2024/25), the Council faced a deficit of £1.2 billion, which includes two key elements: the cost of impaired loans to its own companies (£614 million) which is a balance sheet adjustment and, secondly, the need to make backdated provision in its revenue account for the repayment of debt and write-off of some loans.

The overall deficit was re-assessed in March 2024 as part of setting the 2024/25 budget as up to £785 million on the revenue account, making the total impact £1.4 billion including the balance sheet impairment (that will be re-assessed as part of the 2023/24 accounts). The £785 million was covered by the support from Government via a Capitalisation Directive, which allows the Council's deficit to be shifted to the balance sheet via legitimate borrowing.

## 17. FINANCIAL INSTRUMENTS

### Categories of Financial Instruments:

Categories of Financial Assets	Long Term		Current	
	31 March	31 March	31 March	31 March
	2022	2023	2022	2023
	£000	£000	£000	£000
<b>Financial Assets</b>				
<u>Investments</u>				
At amortised cost:				
Principal	37,808	37,808	0	0
<b>Total Investments</b>	<b>37,808</b>	<b>37,808</b>	<b>0</b>	<b>0</b>
<u>Cash and Cash Equivalents</u>				
At amortised cost:				
Principal	0	0	35,728	15,354
<b>Total Cash and Cash Equivalents</b>	<b>0</b>	<b>0</b>	<b>35,728</b>	<b>15,354</b>
<u>Debtors</u>				
At amortised cost:				
Trade receivables	22,968	18,063	76,502	32,770
Loss allowance	0	0	(7,410)	(6,672)
Loan to subsidiary	1,156,597	1,274,111	0	0
Repayments due within 1 year	(39,554)	(14,897)	0	0
Accrued interest	0	0	2,836	13,034
<b>Included in Debtors 1</b>	<b>1,140,011</b>	<b>1,277,277</b>	<b>71,928</b>	<b>39,132</b>
<b>Total Financial Assets</b>	<b>1,177,819</b>	<b>1,315,085</b>	<b>107,656</b>	<b>54,486</b>
<b>Debtors Reconciliation to Balance Sheet 1</b>				
	Long Term		Current	
	31 March	31 March	31 March	31 March
	2022	2023	2022	2023
	£000	£000	£000	£000
Included in Financial Assets	1,140,011	1,277,277	71,928	39,132
Debtors that do not meet the definition of a financial asset:				
Statutory Debtors	0	0	4,432	5,816
Prepayments	0	0	1,565	918
<b>Total Debtors</b>	<b>1,140,011</b>	<b>1,277,277</b>	<b>77,925</b>	<b>45,866</b>

## 17. FINANCIAL INSTRUMENTS (cont.)

Categories of Financial Liabilities	Long Term		Current	
	31 March	31 March	31 March	31 March
	2022	2023	2022	2023
	£000	£000	£000	£000
<b>Financial Liabilities</b>				
<u>Borrowings</u>				
Loans at amortised cost:				
Principal sum borrowed	1,766,454	1,749,601	110,409	225,932
Accrued interest	9,343	9,982	301	301
<b>Total Borrowings</b>	<b>1,775,797</b>	<b>1,759,583</b>	<b>110,710</b>	<b>226,233</b>
 <u>PFI Liabilities</u>				
Liabilities at amortised cost	23,231	21,979	1,241	1,253
<b>Total Finance Lease Liabilities</b>	<b>23,231</b>	<b>21,979</b>	<b>1,241</b>	<b>1,253</b>
 <u>Creditors</u>				
Liabilities at amortised cost	0	0	14,101	15,437
<b>Included in Creditors 2</b>	<b>0</b>	<b>0</b>	<b>14,101</b>	<b>15,437</b>
 <b>Total Financial Liabilities</b>	<b>1,799,028</b>	<b>1,781,562</b>	<b>250,862</b>	<b>469,156</b>
Creditors Reconciliation to Balance Sheet 2	Long Term		Current	
	31 March	31 March	31 March	31 March
	2022	2023	2022	2023
	£000	£000	£000	£000
Included in Financial Liabilities	0	0	14,101	15,437
Creditors that do not meet the definition of a financial liability:				
Other creditors	23,231	21,979	27,135	18,386
Statutory Creditors	0	0	1,241	1,253
<b>Total Creditors</b>	<b>23,231</b>	<b>21,979</b>	<b>42,477</b>	<b>35,076</b>

# 17. FINANCIAL INSTRUMENTS (cont.)

## Items of Income, Expense, Gains and Losses Recognised in the Comprehensive Income and Expenditure Statement

	2021/22				2022/23			
	Financial				Financial			
	Assets: Fair				Assets: Fair			
	Financial	Financial	Financial	Assets: Fair	Financial	Financial	Financial	Assets: Fair
	Liabilities:	Assets:	Assets:	value	Liabilities:	Assets:	Assets:	value
	Amortised	Amortised	Amortised	through	Amortised	Amortised	Amortised	through
	Cost	Cost	Cost	profit and	Cost	Cost	Cost	profit and
	£000	£000	£000	loss	£000	£000	£000	loss
				£000				£000
				Total				Total
				£000				£000
Interest Expense	47,038	0	0	47,038	51,238	0	0	51,238
Impairment losses	0	-550	0	-550	0	-756	0	-756
<b>Interest Payable and Similar Charges</b>	<b>47,038</b>	<b>-550</b>	<b>0</b>	<b>46,488</b>	<b>51,238</b>	<b>-756</b>	<b>0</b>	<b>50,482</b>
Interest Income	0	-32,455	0	-32,455	0	-38,213	0	-38,213
<b>Interest and Investment Income</b>	<b>0</b>	<b>-32,455</b>	<b>0</b>	<b>-32,455</b>	<b>0</b>	<b>-38,213</b>	<b>0</b>	<b>-38,213</b>
<b>Recognised in the (surplus)/deficit on provision of services</b>	<b>47,038</b>	<b>-33,005</b>	<b>0</b>	<b>14,033</b>	<b>51,238</b>	<b>-38,969</b>	<b>0</b>	<b>12,269</b>
<b>Net (Gain) / Loss for the Year</b>	<b>47,038</b>	<b>-33,005</b>	<b>0</b>	<b>14,033</b>	<b>51,238</b>	<b>-38,969</b>	<b>0</b>	<b>12,269</b>

## 17. FINANCIAL INSTRUMENTS (cont.)

### Financial Instruments Fair Values:

Fair value of Financial Liabilities	Fair Value Level	31 March 2022		31 March 2023	
		Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial Liabilities held at amortised cost:					
PWLB Borrowing	2	1,886,507	1,927,332	1,985,816	1,478,164
<b>Total</b>		<b>1,886,507</b>	<b>1,927,332</b>	<b>1,985,816</b>	<b>1,478,164</b>
Liabilities for which fair value is not disclosed:		14,101		15,437	
<b>Total Financial Liabilities</b>		<b>1,900,608</b>		<b>2,001,253</b>	
Recorded on Balance Sheet as:					
Short Term Creditors		14,101		15,437	
Short Term Borrowing		110,710		226,233	
Long Term Borrowing		1,775,797		1,759,583	
<b>Total Financial Liabilities</b>		<b>1,900,608</b>		<b>2,001,253</b>	

		31 March 2022		31 March 2023	
Fair value of Financial Assets	Fair Value Level	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial assets held at fair value:					
Money Market Funds	1	32,006	32,006	10,039	10,039
Shares in subsidiary	3	37,808	37,808	37,808	37,808
Financial assets held at amortised cost:					
Loans to Local Authorities	2	411	411	0	0
Loans to Subsidiary	3	1,117,043	1,117,043	1,259,214	1,259,214
<b>Total</b>		<b>1,187,268</b>	<b>1,187,268</b>	<b>1,307,061</b>	<b>1,307,061</b>

**17. FINANCIAL INSTRUMENTS (cont.)**

	<b>31 March 2022</b>	<b>31 March 2023</b>
<b>Assets for which fair value is not disclosed</b>	<b>Carrying Amount £000</b>	<b>Carrying Amount £000</b>
Bank Current Account	3,722	5,315
Trade Receivables	68,681	26,098
Long Term Debtors (excl. loan to subsidiary)	22,968	18,063
Accrued interest	2,836	13,034
<b>Total Financial Assets</b>	<b>1,285,475</b>	<b>1,369,571</b>
Recorded on Balance Sheet as:		
Long Term Debtors	1,140,011	1,277,277
Long Term Investments	37,808	37,808
Short Term Debtors	71,928	39,132
Cash and Cash Equivalents	35,728	15,354
<b>Total Financial Assets</b>	<b>1,285,475</b>	<b>1,369,571</b>

The fair value of short term financial liabilities including trade payables, and of short term financial assets including bank current account balances and trade receivables, is assumed to approximate to the carrying amount.

**18. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS**

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

**Credit Risk**

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

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



## 18. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont.)

	Amounts at 31 March 2023 £'000	Historical experience of default %	Historical experience adjusted for market conditions as at 31 March 2023 %	Estimated maximum exposure to default and uncollect- ability £'000
Deposits with banks and other institutions	15,354	-	-	-
Customers	39,132	4.95%	4.95%	1,937
	<b>54,486</b>			<b>1,937</b>

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

The Council does not generally allow credit for customers. £6.389 million of the £15.141 million sundry debtor balance is past its due date for payment. The past due amount can be analysed by age as follows, and the bad debt provision takes account of the age of the debt.

	31 March 2022 £'000	31 March 2023 £'000
Less than 3 months	8,372	3,659
3 to 6 months	2,617	612
6 months to 1 year	624	314
More than 1 year	2,793	1,804
	<b>14,406</b>	<b>6,389</b>

### Liquidity Risk

During 2023/24 the Council identified that it 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 will be accounted for in 2023/24 as part of the Council's capitalisation direction.

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

	31 March 2022 £'000	31 March 2023 £'000
Public Works Loans Board	1,761,344	1,815,380
Market debt/LOBOs	30,000	30,000
Temporary borrowing	85,095	128,000
	<b>1,876,439</b>	<b>1,973,380</b>
Less than 1 year	85,094	128,000
Between 1 and 2 years	0	0
Between 2 and 5 years	20,862	90,697
Between 5 and 10 years	10,000	10,000
More than 10 years	1,760,483	1,744,683
	<b>1,876,439</b>	<b>1,973,380</b>

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

## 18. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont.)

### Market Risk

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

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

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

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

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

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

	<b>2022</b> <b>£'000</b>	<b>2023</b> <b>£'000</b>
Increase in interest payable on variable rate borrowings	0	
Increase in interest receivable on variable rate investments	16	
	<hr/>	
Net increased income in Comprehensive Income and Expenditure Statement	16	0
	<hr/>	
Share of overall interest cost debited to the HRA	0	
	<hr/>	
Decrease in fair value of fixed rate borrowing liabilities	312,462	

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

## 19. 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 17. 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:

	2021/22 £'000	2022/23 £'000
<b>Cost</b>		
As at 1 April	30,814	30,814
As at 31 March	<b>30,814</b>	<b>30,814</b>
<b>Depreciation</b>		
As at 1 April	2,764	3,374
Charged in year	610	610
As at 31 March	<b>3,374</b>	<b>3,984</b>
<b>Net Book Value</b>		
As at 31 March	27,440	26,830
As at 1 April	28,050	27,440

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

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

	2021/22 £'000	2022/23 £'000
As at 1 April	25,667	24,472
Finance lease liability redemption payments during the year	-1,195	-1,240
As at 31 March	<b>24,472</b>	<b>23,232</b>
Of which:		
Short-term liability	1,241	1,253
Long-term liability	23,231	21,979
	<b>24,472</b>	<b>23,232</b>

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

The Council was committed at 31 March 2023 to making the following payments under the PFI scheme:

	Repayments of Liability £'000	Interest £'000	Lifecycle replacement £'000	TOTAL £'000
Due within one year	1,253	1,710	125	3,088
Due within 2-5 years	6,093	5,804	458	12,355
Due within 6-10 years	8,256	4,592	2,595	15,443
Due within 11-15 years	6,606	1,683	7,155	15,444
Due within 16-20 years	1,024	52	857	1,933

<u>23,232</u>	<u>13,841</u>
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<u>11,190</u>	<u>48,263</u>
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## NOTES TO THE CASH FLOW STATEMENT

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

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

	<b>2021/22</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>
Net surplus/(deficit) on the provision of services	4,789	-11,720
<u>Less</u>		
Depreciation, impairment and amortisation		
- General Fund	4,037	3,875
- HRA	3,861	4,295
Revaluation gain/loss on Investment Property	-2,904	5,462
Reversal of NCA historic losses with subsequent gains	1,757	6,412
Capital items charged/(credited) to General Fund Balance	-14,084	-13,700
Net increase/(decrease) in other assets and liabilities	7,306	20,181
Net increase/(decrease) in Provisions (Long Term Liabilities)	1,110	89
Net charges for retirement benefits in accordance with IAS19	4,055	3,639
Other non-cash items	1,575	10
<b>Net cash flow from Operating Activities</b>	<b><u>11,502</u></b>	<b><u>18,543</u></b>

### 2. ANALYSIS OF GOVERNMENT GRANTS

	<b>2021/22</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>
Housing Improvements	1,338	1,338
Syrian Refugee Families	400	2,026
Homelessness Grants	375	64
Environmental	10	0
Havering Farm (Rural Grants)	8	4
Womens Support Centre	109	104
Social Prescribing	405	181
Arts Development	1	1
Countryside	10	10
	<b><u>2,656</u></b>	<b><u>3,728</u></b>

### 3. 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 2022/23 or 2021/22. Interest paid and received re shown below.

	<b>2021/22</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>
Interest paid	44,876	50,599
Interest received	32,366	28,015
Dividends received	-	-

## HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

	2021/22	2022/23
	£'000	£'000
<b>Income</b>		
Dwelling Rents & Service Charges	-17,767	-17,367
Charges for services and facilities	-478	-1,200
Contribution towards expenditure	-81	-110
<b>TOTAL INCOME</b>	<b>-18,326</b>	<b>-18,677</b>
<b>Expenditure</b>		
Repairs and Maintenance	2,628	2,537
Supervision and Management	7,256	5,399
Rents, Rates, Taxes and other Charges	20	160
Depreciation and impairments of fixed assets	3,861	4,295
<b>TOTAL EXPENDITURE</b>	<b>13,765</b>	<b>12,392</b>
<b>NET INCOME OF HRA SERVICES INCLUDED IN THE WHOLE AUTHORITY COMPREHENSIVE INCOME AND EXPENDITURE</b>	<b>-4,561</b>	<b>-6,285</b>
Debt Management Costs	37	71
Interest payable and similar charges	5,391	5,487
Interest and investment income	-2	-460
Pensions interest cost and expected return on pensions assets (note xx)	234	349
<b>SURPLUS (-) OR DEFICIT FOR THE YEAR ON HRA SERVICES</b>	<b>1,099</b>	<b>-838</b>

## STATEMENT OF MOVEMENT IN THE HOUSING REVENUE ACCOUNT BALANCE

	2021/22 £'000	2022/23 £'000
Surplus (-) or deficit for the year on the HRA income and expenditure account	1,099	-838
Adjustments between the accounting basis and the funding basis required under regulations (see analysis below)	489	-729
<b>Net increase (-) or decrease before transfers to/from reserves</b>	<b>1,588</b>	<b>-1,567</b>
Transfer to or from (-) HIP reserve	-1,590	-1,044
<b>Increase (-) or decrease in Housing Revenue Account Balance for the Year</b>	<b>-2</b>	<b>-2,611</b>
Balance on Housing Revenue Account brought forward	335	337
<b>Balance on Housing Revenue Account carried forward</b>	<b>337</b>	<b>2,948</b>

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

	2021/22 £'000	2022/23 £'000
<b>Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year</b>		
Capital grants with no outstanding conditions	1,070	0
HRA share of transfers to the accumulated absences account	-14	-38
HRA share of transfers to the pensions reserve	-567	-691
<b>Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year</b>		
Reversal of depreciation and impairment of fixed assets	-3,861	-4,295
Transfer to the major repairs reserve	3,861	4,295
Amounts of non-current assets written off on disposal or sale as part of gain/loss on disposal	-30,657	-2,533
Transfer to the usable capital receipts reserve	30,657	2,533
	<b>489</b>	<b>-729</b>

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



## HOUSING REVENUE ACCOUNT EXPLANATORY NOTES

### 1. HOUSING STOCK

The Council was responsible for the management of 3,280 dwellings (including Shared Ownership properties) at 31 March 2023, as compared with 3,370 at 31 March 2022, made up of:

	2022	2023
	<b>Stock Numbers</b>	
Houses	1,656	1,338
Flats (including maisonettes)	1,461	1,701
Bungalows	253	241
<b>TOTAL</b>	<b>3,370</b>	<b>3,280</b>

### 2. STOCK VALUES

	Value @ 31.3.22 £'000	Movement £'000	Value @ 31.3.23 £'000
<u>Operational Assets</u>			
Housing Property	338,509	-11,800	326,709
Leasehold Property	487	-78	409
	338,996	-11,879	327,117
<u>Non Operational Assets</u>			
Development Land	2,361	0	2,474
	2,361	0	2,474
<b>TOTAL</b>	<b>341,357</b>	<b>-11,879</b>	<b>329,591</b>

The vacant possession value of dwellings within the authority's Housing Revenue Account (HRA) as at 1 April 2023 was £970.614 million (£1.006 billion at 1 April 2022).

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

Depreciation charged to the HRA:

	2021/22 £'000	2022/23 £'000
<u>Depreciation</u>		
Dwellings	3,861	4,295
<b>TOTAL</b>	<b>3,861</b>	<b>4,295</b>

### 3. CAPITAL EXPENDITURE AND FINANCING

The total capital expenditure on property within the authority's HRA during 2022/23 was £5.549 million (2021/22, £15.489 million).

	2021/22	2022/23
	£'000	£'000
<u>Capital Expenditure</u>		
Houses	15,489	5,549
<b>TOTAL</b>	<b>15,489</b>	<b>5,549</b>
<u>Source of Funding</u>	£'000	£'000
Major Repairs Reserve	3,265	3,865
Borrowing	8,612	638
Capital Receipts	2,542	1,046
Section 106	350	0
Grant	720	0
<b>TOTAL</b>	<b>15,489</b>	<b>5,549</b>

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

	2021/22	2022/23
	£'000	£'000
Houses	3,897	2,279

### 4. MAJOR REPAIRS RESERVE

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

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

	2021/22	2022/23
	£'000	£'000
<u>Major Repairs Reserve</u>		
<b>Balance @ 1 April</b>	<b>16</b>	<b>611</b>
Expenditure financed from Major Repairs Reserve	-3,266	-3,865
Depreciation transferred from Capital Adjustment Account	3,861	4,295
<b>Balance @ 31 March</b>	<b>611</b>	<b>1,041</b>

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

## 5. RENT ARREARS

Rent arrears at 31 March were as follows:-

	2022 £'000	2023 £'000
Current Tenants	779	906
Former Tenants	528	652
<b>TOTAL</b>	<b>1,307</b>	<b>1,558</b>
<b>Arrears as a % of Gross Rent Income</b>	<b>7.16%</b>	<b>0.01%</b>

A provision of £1.143 million has been made in respect of uncollectable debts (£0.908 million in

## 6. PENSIONS

Woking recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against 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:

	2021/22 £'000	2022/23 £'000
Net Cost of Services:		
▪ Service cost	949	1,073
▪ Past service costs (including curtailments)	0	1
	<u>949</u>	<u>1,074</u>
Net Operating Expenditure:		
▪ Interest cost	578	1,018
▪ Expected return on assets in the scheme	-344	-669
	<u>234</u>	<u>349</u>
Net liability on HRA I&E	-1,182	-1,424
▪ Employers' contributions payable to scheme	573	671
▪ Contribution in respect of unfunded benefits	42	61
▪ Movement on pensions reserve	<u>-567</u>	<u>-692</u>
<b>TOTAL</b>	<b>616</b>	<b>731</b>
<u>Actual amounts charged against rents for pensions in the year</u>		
Employers' contributions payable to scheme	573	671
Contributions in respect of unfunded benefits	42	61
<b>TOTAL</b>	<b>615</b>	<b>732</b>

The employers' contribution payable to the scheme is shown within Supervision and Management. The adjustment of £0.343 million represents the difference between the cash contributions payable to the scheme (£0.692 million) and service costs (£0.349 million).

**COLLECTION FUND  
INCOME AND EXPENDITURE STATEMENT**

2021/22				2022/23		
Council Tax	Business Rates	Total		Council Tax	Business Rates	Total
£'000	£'000	£'000		£'000	£'000	£'000
86,688	0	86,688	<b>INCOME</b>	92,257	0	92,257
0	39,820	39,820	Council Tax Receivable (Note 1)	0	42,593	42,593
<b>86,688</b>	<b>39,820</b>	<b>126,508</b>	<b>TOTAL INCOME</b>	<b>92,257</b>	<b>42,593</b>	<b>134,850</b>
			<b>EXPENDITURE</b>			
			<u>Apportionment of Previous Year Surplus/(deficit)</u>			
0	-9,757	-9,757	Central Government	0	-5,219	-5,219
-24	-7,805	-7,829	Woking Borough Council	12	-4,175	-4,163
-149	-1,951	-2,100	Surrey County Council	79	-1,044	-965
-27	0	-27	Surrey Police and Crime Commissioner	17	0	17
-200	-19,513	-19,713		108	-10,438	-10,330
			<u>Precepts, Demands and Shares</u>			
0	23,654	23,654	Central Government	0	21,485	21,485
10,104	18,923	29,027	Woking Borough Council	10,607	17,188	27,795
62,495	4,731	67,226	Surrey County Council	67,526	4,297	71,823
11,521	0	11,521	Surrey Police and Crime Commissioner	12,272	0	12,272
84,120	47,308	131,428		90,405	42,970	133,375
			<u>Charges to Collection Fund</u>			
0	123	123	Write Offs / Write Backs (-) of uncollectable amounts	0	-68	-68
188	93	281	Increase / Decrease (-) in Bad Debt Provision	525	1,112	1,637
0	2,776	2,776	Increase / Decrease (-) in Provision for Appeals	0	220	220
0	0	0	Transitional Protection Payments to Government	0	593	593
0	169	169	Cost of Collection	0	131	131
188	3,161	3,349		525	1,988	2,513
<b>84,108</b>	<b>30,956</b>	<b>115,064</b>	<b>TOTAL EXPENDITURE</b>	<b>91,038</b>	<b>34,520</b>	<b>125,558</b>
2,580	8,864	11,444	SURPLUS / DEFICIT (-) ARISING DURING THE YEAR	1,219	8,073	9,292
-653	-21,239	-21,892	SURPLUS / DEFICIT (-) B/FWD AT 1ST APRIL	1,927	-12,375	-10,448
<b>1,927</b>	<b>-12,375</b>	<b>-10,448</b>	<b>SURPLUS / DEFICIT (-) C/FWD AT 31ST MARCH</b>	<b>3,146</b>	<b>-4,302</b>	<b>-1,156</b>

## COLLECTION FUND EXPLANATORY NOTES

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

### 1. YIELD FROM COUNCIL TAX

In order to calculate the total yield from Council Tax in a year it is necessary to convert the number of dwellings in each band to an equivalent number of Band D dwellings. For 2022/23 the following calculation was made:

Band	Number of Chargeable Dwellings	Ratio (Ninths)	Equivalent Number of Band D Dwellings	Estimated Yield at Band D Tax £'000
Band A	271.30	6	180.87	394
Band B	3,130.30	7	2,434.68	5,301
Band C	9,961.00	8	8,854.22	19,279
Band D	11,398.80	9	11,398.80	24,820
Band E	5,744.30	11	7,020.81	15,287
Band F	3,925.00	13	5,669.44	12,345
Band G	4,902.80	15	8,171.33	17,792
Band H	751.80	18	1,503.60	3,274
Less allowance for losses on collection, appeals and Council Tax Support			45,233.75	98,493
			-3,714.75	-8,089
<b>Council Tax Base and Expected yield</b>			<b>41,519.00</b>	<b>90,404</b>

The actual yield for the year was £92.257m; the difference of £1.853m 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 £92.257m is reflected in the Collection Fund Income and Expenditure Account

	2021/22 £'000	2022/23 £'000
Council tax income	86,688	92,257
Less write offs	0	0
<b>Yield</b>	<b>86,688</b>	<b>92,257</b>

## 2. CALCULATION OF TAX BASE

The Council Tax tax base is the estimated full year equivalent number of liable dwellings in the area expressed as an equivalent number of Band D dwellings with 2 or more adults. For 2022/23 the Band D equivalent was 45,233.75. This figure was then adjusted for assumed changes during the year for discounts; the outcome of remaining banding appeals; the collection rate and the impact of the Council Tax Support scheme. The affect of applying these assumptions was a tax base of 41,519.00 for the whole of the Borough.

## 3. INCOME FROM BUSINESS RATES

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

The total non-domestic rateable value at 19 December 2021 was £114.8 million and the multipliers for the year were:

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

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 2022-23, Woking Borough Council paid a tariff of £16.417 million to the government. The tariff is contained within the non domestic rates income and expenditure line in the Comprehensive Income and Expenditure Statement (if the council is not part of a pool).

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

A levy of £604,335 was due to the pool in 2022/23. The levy for 2022/23 is contained within the non domestic rates income and expenditure line in the relevant comprehensive income and expenditure statement. This line also contains £4.175 million which is the Council's share of prior year deficits (£7.805 million was included in 2021/22 in respect of prior year supluses, the remainder of which will be settled to the account in future years) and a pooling benefit of £0.302 million in 2022/23.

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

The Collection Fund Balance at 31 March 2023 was -£1.156 million (-£10.448 million at 31 March 2022). 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 2022/23, the Business Rates Deficit is split based on nationally determined percentages between Central Government (50%), Woking Borough Council (40%) and Surrey County Council (10%).

	<b>2021/22 Surplus/ Deficit (-) £'000</b>	<b>2022/23 Surplus/ Deficit (-) £'000</b>	<b>Total @ 31 March 2023 £'000</b>
<u><b>Council Tax</b></u>			
Woking Borough Council	348	78	426
Surrey County Council	2,197	97	2,294
Surrey Police and Crime Commissioner	397	29	426
	<b>2,942</b>	<b>204</b>	<b>3,146</b>
<u><b>Business Rates</b></u>			
Central Government			-2,151
Woking Borough Council			-1,721
Surrey County Council			-430
			<b>-4,302</b>
<b>Collection Fund Balance</b>			<b>-1,156</b>

## PENSIONS EXPLANATORY NOTES

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

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

Further information on Pensions is set out in the Statement of Accounting Policies note 13.

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.

### Changes in the Fair Value of Plan Assets, Defined Benefit Obligation and Net Liability for year end 31 March 2023

Period ended 31 March 2023

	Assets	Obli- gations	Net (liability) / asset
	£'000	£'000	£'000
Fair value of plan assets	130,986	0	130,986
Present value of funded obligations	0	193,673	-193,673
Present value of unfunded obligations	0	4,545	-4,545
<b>Opening position as at 31 March 2022</b>	<b>130,986</b>	<b>198,218</b>	<b>-67,232</b>

#### Service Cost

Current service cost*	0	5,648	-5,648
Past service cost (including curtailments)	0	7	-7
<b>Total Service Cost</b>	<b>0</b>	<b>5,655</b>	<b>-5,655</b>

#### Net interest

Interest income on plan assets	3,519	0	3,519
Interest cost on defined benefit obligation	0	5,357	-5,357
<b>Total net interest</b>	<b>3,519</b>	<b>5,357</b>	<b>-1,838</b>
<b>Total defined benefit cost recognised in Profit or (Loss)</b>	<b>3,519</b>	<b>11,012</b>	<b>-7,493</b>

#### Cashflows

Participants' contributions	855	855	0
Employer contributions	3,534	0	3,534
Benefits paid	-5,498	-5,498	0
Unfunded benefits paid	-319	-319	0
Contributions in respect of unfunded benefits paid	319	0	319
<b>Expected closing position</b>	<b>133,396</b>	<b>204,268</b>	<b>-70,872</b>

#### Remeasurements

Changes in financial assumptions	0	-66,979	66,979
Changes in demographic assumptions	0	-3,562	3,562
Other experience	0	17,179	-17,179



Pensions Explanatory Notes (contd)

Return on assets excluding amounts included in net interest	-4,367	0	-4,367
<b>Total remeasurements recognised in Other Comprehensive Income</b>	<b>-4,367</b>	<b>-53,362</b>	<b>48,995</b>
Fair value of plan assets	129,029	0	129,029
Present value of funded obligations	0	146,691	-146,691
Present value of unfunded obligations**	0	4,215	-4,215
<b>Closing position as at 31 March 2023</b>	<b>129,029</b>	<b>150,906</b>	<b>-21,877</b>

Please note the Employer's fair value of plan assets is approximately 2% of the Fund's total.

It is estimated that the present value of funded obligations comprises of approximately £45,571,000, £25,384,000 and £75,736,000 in respect of employee members, deferred pensioners and pensioners respectively as at 31 March 2023.

\* The current service cost includes an allowance for administration expenses of 0.4% of payroll.

\*\*The unfunded obligations comprise of £4,215,000 in respect of LPGS unfunded pensions.

### Changes in the Fair Value of Plan Assets, Defined Benefit Obligation and Net Liability for year end 31 March 2022

#### Period ended 31 March 2022

	Assets	Obli- gations	Net (liability) / asset
	£'000	£'000	£'000
Fair Value of plan assets	123,482	0	123,482
Present value of funded obligations	0	200,797	-200,797
Present value of unfunded obligations	0	4,902	-4,902
<b>Opening position as at 31 March 2021</b>	<b>123,482</b>	<b>205,699</b>	<b>-82,217</b>
<u>Service Cost</u>			
Current service cost*	0	6,775	-6,775
Past service cost (including curtailments)	0	1	-1
<b>Total Service Cost</b>	<b>0</b>	<b>6,776</b>	<b>-6,776</b>
<u>Net interest</u>			
Interest income on plan assets	2,460	0	2,460
Interest cost on defined benefit obligation	0	4,127	-4,127
<b>Total net interest</b>	<b>2,460</b>	<b>4,127</b>	<b>-1,667</b>
<b>Total defined benefit cost recognised in Profit or (Loss)</b>	<b>2,460</b>	<b>10,903</b>	<b>-8,443</b>
<u>Cashflows</u>			
Participants' contributions	933	933	0
Employer contributions	4,091	0	4,091
Benefits paid	-5,777	-5,777	0
Unfunded benefits paid	-298	-298	0
Contributions in respect of unfunded benefits paid	298	0	298
<b>Expected closing position</b>	<b>125,189</b>	<b>211,460</b>	<b>-86,271</b>
<u>Remeasurements</u>			
Changes in financial assumptions	0	-12,573	12,573
Changes in demographic assumptions	0	-1,003	1,003
Other experience	0	334	-334
Return on assets excluding amounts included in net interest	5,797	0	5,797
<b>Total remeasurements recognised in Other Comprehensive Income</b>	<b>5,797</b>	<b>-13,242</b>	<b>19,039</b>
Fair value of plan assets	130,986	0	130,986
Present value of funded obligations	0	193,673	-193,673
Present value of unfunded obligations	0	4,545	-4,545
<b>Closing position as at 31 March 2022</b>	<b>130,986</b>	<b>198,218</b>	<b>-67,232</b>

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

#### Movement in Reserves Statement

## Pensions Explanatory Notes (contd)

The table below reflects the amount by which pension costs calculated in accordance with the Code (ie in accordance with IAS 19) are different from the contributions due under the pension scheme regulations.

2021/22    2022/23  
£'000       £'000

Reversal of net charges made to the (Surplus)/Deficit on Provision of Services for post-employment benefits in accordance with the Code

-8,443    -7,493

Actual amount charged against the General Fund Balance for pensions in the year:

Employer's contributions payable to the scheme

23,428    52,848

**Total movement**

**14,985    45,355**

### Fair value of plan assets

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

Note: Where an IAS19 asset split was not available at the year end, the nearest IAS19 asset split prior to this date has been used.

Asset category	Assets Period Ended 31 March 2022				Period Ended 31 March 2023			
	Quoted prices in active markets	Unquoted prices in active markets	Total	Percentage of Total Assets	Quoted prices in active markets	Unquoted prices in active markets	Total	Percentage of Total Assets
	£'000	£'000	£'000	%	£'000	£'000	£'000	%
Equity Securities:								
Consumer	2,291.5	-	2,291.5	2%	2,026.1	-	2,026.1	2%
Manufacturing	1,827.1	-	1,827.1	1%	1,691.5	-	1,691.5	1%
Energy and Utilities	406.2	-	406.2	0%	648.8	-	648.8	1%
Financial Institutions	1,520.1	-	1,520.1	1%	2,294.4	-	2,294.4	2%
Health and Care	1,564.8	-	1,564.8	1%	2,006.8	-	2,006.8	2%
Information Technology	4,098.8	-	4,098.8	3%	2,842.1	-	2,842.1	2%
Debt Securities:								
UK Government	-	4,359.7	4,359.7	3%	-	-	0.0	0%
Private Equity:								
All	-	12,872.5	12,872.5	10%	-	18,272.6	18,272.6	14%
Real Estate:								
UK Property	1,698.1	3,528.1	5,226.2	4%	1,438.8	3,306.6	4,745.4	4%
Overseas Property	-	2,791.9	2,791.9	2%	-	3,029.8	3,029.8	2%
Invest Funds and Unit Trusts:								
Equities	76,914.8	-	76,914.8	59%	75,143.6	-	75,143.6	58%
Bonds	14,346.4	-	14,346.4	11%	13,970.3	-	13,970.3	11%
Derivatives:								
Foreign Exchange	-530.4	-	-530.4	0%	-343.9	-	-343.9	0%
Cash and Cash Equivalents:								
All	3,296.4	-	3,296.4	3%	2,701.5	-	2,701.5	2%
<b>Totals</b>	<b>107,434</b>	<b>23,552</b>	<b>130,986</b>	<b>100%</b>	<b>104,420</b>	<b>24,609</b>	<b>129,029</b>	<b>100%</b>

The breakdown of assets in monetary terms in the table have been shown to the nearest £100 and for presentation purposes the sum of the values rounded to the nearest £1,000. Please note that there may still be a rounding difference between the total and the sum of the breakdown values but this difference will be small. For the avoidance of doubt this does not impact any of the other figures in the report.

### Investment returns

The return on the Fund in market value terms for the period to 31 March 2023 is based on actual Fund returns as provided by Surrey County Council. Details are given below:

Actual Returns from 1 April 2022 to 31 March 2023 (6.7% in 2021/22)

-1.3%

Total Returns from 1 April 2022 to 31 March 2023 (6.7% in 2021/22)

-1.3%

The liabilities show the underlying commitments that the authority has in the long-run to pay retirement benefits. The total liability of £21,877,000 has a substantial impact on the net worth of the authority as recorded in the balance sheet.

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

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

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

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

The main assumptions used in their calculations have been:

#### Financial Assumptions

	31 March 2022 % p.a.	31 March 2023 % p.a.
Pension Increase Rate (CPI)	3.20%	3.00%
Salary Increase Rate	4.10%	4.00%
Discount Rate	2.70%	4.75%

#### Demographic assumptions

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 10% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a. for both males and females. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	22.4 years	24.8 years
Future Pensioners*	23.2 years	26.3 years

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

#### Historic demographic assumptions

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

Current Pensioners	Future Pensioners
CMI 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a.	CMI 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a.

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

**Commutation**

A commutation allowance is included for future retirements to elect to take 55% of the maximum additional tax-free cash up to HMRC limits.

**Sensitivity Analysis**

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Change in assumptions at year ended 31 March 2023	Approximate % increase to Defined Benefit Obligation	Approximate monetary amount
	%	£'000
0.1% decrease in Real Discount Rate	2%	2,347
1 year increase in member life expectancy	4%	6,036
0.1% increase in the Salary Increase Rate	0%	234
0.1% increase in the Pension Increase Rate (CPI)	1%	2,146

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

**Asset and liability matching strategy**

The Surrey County Council Pension Fund's Statement of Investment Principles sets out the Fund's investment strategy to meet the payment of pensions over the life of the Fund, i.e., to be at or above a 100% funding level. The funding level as at the 31 March 2022 valuation necessitates an investment strategy that is expected to provide long term investment returns in excess of the anticipated rise in liabilities. As such the Fund does not have an explicit asset and liability matching strategy but the consideration of liabilities is of principal importance for determining the investment strategy.

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

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

The actuary estimates Employer's contributions for the year to 31 March 2024 will be approximately £3,922,000.

Woking Borough Council

# Annual Governance Statement

2022 - 2023

Shaping the *future* of our borough



## Introduction

This statement reflects the Council's assessment of its governance arrangements as at 31 March 2023. It must, however, be acknowledged that since this date, as the full extent of the Council's financial circumstances have become apparent, it has been the subject of intervention by Government appointed Commissioners since 25 May 2023, issued a S114 report on 7 June 2023, and asked its incoming auditors, Grant Thornton, to undertake a Value for Money Review. These matters will be properly picked up in the 2023/2024 Annual Governance Statement (AGS).

During the summer of 2022, the Council was in discussions with the Department for Levelling Up Housing and Communities (DLUHC) regarding the high level of borrowing and issues relating to the sustainability of the Council's financial position. Following these initial discussions, in January 2023 the Secretary of State commissioned a non-statutory review of the governance, financial and commercial aspects of the Council's business. The review team consisted of Jim Taylor, Carol Culley OBE and Mervyn Greer (who were subsequently appointed as Commissioners following the intervention). Fieldwork took place in January and February 2023 and the panel undertook further work in April 2023 as additional financial concerns were identified by the Council. This resulted in publication of the DLUHC External Assurance Review in May 2023. At an Extraordinary Council meeting on 23 February 2023, the then S151 Officer reported that the Council was in the territory of issuing a S114 report.

This statement identifies actions that were underway as at 31 March 2023 to address areas of weakness, but also includes references to the wide range of activity that commenced after this date following the intervention and issuance of the S114 report.

The attention that has been applied to issues of governance and financial controls in 2021/22, and more significantly in 2022/23 and into 2023/24, has highlighted areas of historic and structural governance weaknesses and areas for improvement.

The Council is on an improvement journey to address these 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. The Chief Executive, with the support of the S151 Officer, requested its new incoming auditor for the 2023/24 financial year, Grant Thornton LLP, to undertake a Value for Money Review of the decisions relating to the Council's Investment Strategy under their audit Code of Practice responsibilities. The report produced will be a key component of informing the improvements to governance arrangements in 2023/24 and moving forward.

When considering the 2022/23 AGS, it is relevant to refer to the Section 25 Report that was produced with the 2023/24 annual budget reported to the February 2023 meeting of Council. Whilst this report concentrated primarily on the risk, uncertainty and robustness of the budget for 2023/24, it is formed by understanding the performance of the Council in 2022/23.



## 1.0 The key headlines to take from the Section 25 report as relevant to this AGS are:

- The Council is in the territory of a S114 notice, but as of the date of this report a S114 Notice is not required. This report however may lead to the issuing of a S114 Notice in 2023/24 as work on the 2024/25 budget progresses.
- The Council does need to make significant improvements in its approach to resource management as a strategy and discipline.
- The Council has some risk and financial resilience exposures which are more significant than other local authorities.
- The Council does not have the financial resilience to absorb the impacts of the current economic downturn and changes in consumer behaviours in the short and medium-term and cannot solely rely on its investment approach to protect services. The Council needs to develop a more far-reaching strategy of service transformation that will enable it to manage within the predicted level of funding available whilst both ensuring it maintains the services it is statutorily required to provide and uses the strategic priorities established within the Woking for All strategy to target funding.
- The Council has not undertaken a review of its compliance with the CIPFA Financial Management Code as of the date of this report. This is being addressed in 2023/2024.
- The Council does not have an audit opinion on its accounts for 2019/20 and subsequent years (2020/21 and 2021/22). This position creates a significant risk for the Council in that it cannot place any reliance on prior year accounts.
- The Council has raised its concerns with its auditors and has engaged with the Financial Reporting Council (FRC) and Public Sector Audit Appointments (PSAA). The Council recognises that the delay in audits is a national issue for the sector, however, it has been seeking what options are available to specifically respond to the situation and delays for Woking Borough Council.
- It has been identified that a far more prudent assessment of Minimum Revenue Provision (MRP) is likely to be required. An approach is currently being agreed to the treatment of the changes in MRP assessment that are likely to be required.
- A more prudent provision for impairment of capital loans should also be made. This will need to be reflected on the balance sheet and in the annual accounts and will leave a large deficit balance on the Capital Adjustment Account on the balance sheet.
- The Council's position on MRP will be subject to further independent assessment and review. An independent review has been commissioned on the Council's MRP policy, and the amount that has been accounted for in its accounts, to be completed by early April 2023. For this Medium-Term Financial Strategy (MTFS) report, the MRP policy adopted in 2022 is being rolled forward and the amendments that are likely to be required following the independent review will be brought forward in 2023/24 as part of the MTFS reporting.

## 1. 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 4.

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 in a year of the effectiveness of its system of internal control and include a statement reporting on the review with any published Statement of Accounts. This Statement is prepared in accordance with proper practices in relation to accounts.

## 2. The purpose of the governance framework

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

The governance framework comprises the systems, 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 comprises the Local Code of Corporate Governance, the member decision making structure, and the company governance protocol, and has been in place at the Council for the year ended 31 March 2023 and up to the date of approval of the annual report and statement of accounts.

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.

## 3. 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. Due to the workloads associated with the intervention and S114 report this has not taken place to extent that would have been desirable for the 2022/2023 year. This will be addressed more fully next year.

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 and 2021/22 are not finalised, due partly to outstanding issues relating to the Group accounts and questions over the application of accounting policy, but also partly due to the resourcing issues affecting local authority auditors more broadly. The Council sought to address this issue with auditors during 2022/23 and obtain at least the Value for Money assessment opinion that is part of the audit work, but the auditors were unable to deliver this. 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.

#### **4. The governance framework**

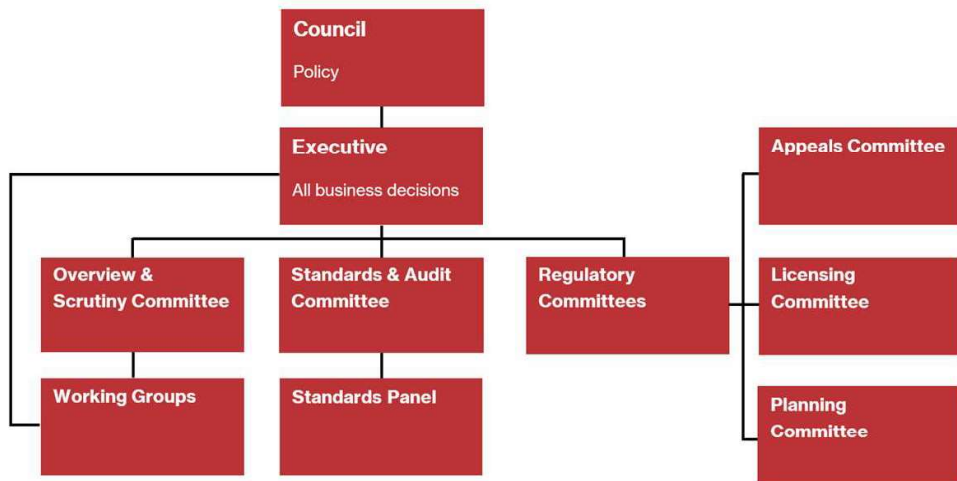
The Council operates a Leader and Executive system of governance, with an Overview and Scrutiny Committee in place to scrutinise the work of the Executive.

The May 2022 local elections resulted in a Liberal Democrat led Council, with the Council constituted of 16 Liberal Democrat, eight Conservative, three Labour, and three independent councillors.

The Council sets the Policies and Strategies for the Council and appoints the Leader of the Council, who then determines the appointment of the Deputy Leader and the members of the Executive.

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

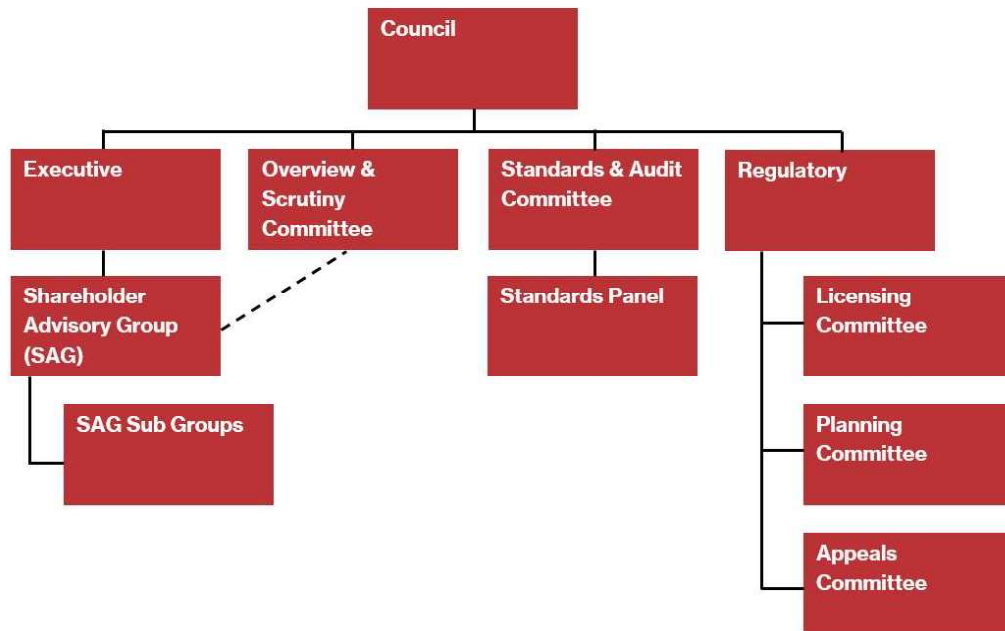
Arrangements for the Council's Member appointments to specific roles are open and set out in the Constitution. The Council elects the Leader who decides the composition and responsibilities of the Executive. The Council makes appointments to all committees. All terms of reference are published in the Constitution.



## Company governance

The Council established a company structure over a number of years with the intention of delivering Council objectives in a more efficient and effective manner. Company business plans are approved by the Council and performance is reported through the Council's Green Book monthly performance and financial monitoring information (which is in the process of being reviewed and replaced), and to Council working groups.

During 2022/23 there were Councillor, Officer and Independent Directors of the companies in accordance with the Company protocol adopted by the Council. A revised governance system was approved by the Council in July 2022 based on best practice guidance, which removes Councillor Directors, creates a Shareholder Advisory Group to provide oversight of Company activities, and appoints the Leader of the Council as the Council's Shareholder Representative.



The arrangements were considered in the DLUHC non statutory review undertaken in January 2023 which found that the introduction of the Shareholder Liaison Service (SLS) and Shareholder Advisory Group (SAG), coupled with changes to directorships, gives greater comfort that the high level

governance of the Thamesway Group and Victoria Square Woking Ltd. is much improved. However, further development of the reporting content from the SLS to the SAG is required, in particular commercial risk analysis to underpin and fully inform decisions is necessary.

Further work is being undertaken in 2023/24 to strengthen and improve the commercial governance arrangements which will be reflected in the 2023/24 AGS.

## 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.

Principle	Description of principle
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 Delegation) 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 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 they are 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 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 for the public.

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 (S151 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 monthly Statutory Officer Group meetings with the Chief Executive to discuss items that have significant legal, 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.

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 Governance Working Group has been set up for the 2023/2024 municipal year to discuss proposed constitutional reviews.

## **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 and 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 following 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.



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 over 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. Publications (printed and digital), press releases and social media are used to keep people informed of plans or decisions. The Council carries out engagement via questionnaires, public events, workshops, focus groups, satisfaction surveys and feedback forms, and has introduced an online 'Civic' forum to more officially engage with residents. In addition, the Council has a dedicated consultation and engagement website ([Woking Community Forum](#)) which hosts all current and past consultations, a recent example being the comprehensive Masterplan consultation in 2022. Formal consultation will be 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 taken significant action to increase the effectiveness of public engagement and communication over the past year and 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 focussed 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

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- Engaged Communities

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- Greener Communities

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- Prospering Communities

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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 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.

The Woking for All supplementary and amended priorities strategy sets out 23 key policy priorities for 2022 and 2023, which complement the Woking for All 2022-27 strategy, adopted earlier in 2022.

Development of the strategy followed a series of community engagement roadshows held during November and December 2021, complimented by a comprehensive online public questionnaire hosted on the Council's engagement hub, Woking Community Forum.

The key priorities identified by communities during this process helped develop the strategic objectives for the next five years, as well as the priority actions for 2022 and 2023, providing a comprehensive and integrated approach to service and financial planning.

The Woking for All strategy will be reviewed annually to ensure the strategic objectives remain relevant and annual priority actions to deliver the objectives are agreed and set. The Corporate Strategy reflects the key priorities and strategies already in place.

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

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

The 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 covers the period to 2022 while considering the vision to 2050. The Strategy's objectives are to encourage business development growth and inward investment in the Borough. Additionally, the Strategy supports the creation of jobs, stimulating the economy, as well as generating income for the Council (to support service provision). A Framework for Recovery in response to the pandemic was approved and implemented in 2020. The Economic Development Action Plan was approved in September 2021. It is an interim plan to take us to 2023 when a new or updated economic development strategy will be adopted. This Economic Development Action Plan complements key strategies and plans we have already published including the Core Strategy, the Economic Development Strategy for Woking 2017-2022 and the Woking for All Strategy.

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 investments.

The Council has been able to protect services in recent years, seeking to achieve efficiencies and increase income generation where there have been budget pressures. This situation will change significantly. During 2023/24, the Council has been subject to intervention and subsequently has an Improvement and Recovery Plan in place. The vision for Woking and the Corporate Strategy will need revising in light of the adoption of a new MTFS and the Improvement and Recovery Plan, and this will be reported in next years AGS.

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

An 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 MTFS was updated regularly during 2022/23, recognising that the Covid-19 crisis was still causing significant financial uncertainty which required a revised strategy to establish a sustainable future plan. The MTFS was updated in July 2023 and this regular reporting shall continue as part of the Council's integrated service and financial planning cycle.

Although this July 2023 report is outside the period of this AGS, the S114 notice tabled as part of that report is significant and reflects back on the controls and assurance in place in the years prior to 2022/23. The level of the estimated deficit declared in that report at £1.2 billion, arising from the debt taken out by the Council in support of its regeneration objectives (both via its companies and directly) calls into question the balanced operation and objectivity of controls in place to govern the Council.

The Council had already started to take action to reduce its spending in 2022 in the light of the emerging financial issues: it established the Fit for the Future programme which is identifying a new way of working to explore operational efficiencies, learning from others and engineering digital innovation.

Executive decision reports provide a public record of all significant decisions to implement service plans and spend. They are required to show the intended outcomes, the rationale for the proposal, implications for Council resources, other options considered, advice received, consultation undertaken and how risks are managed.

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 direct 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. The Council's commitment to Member development was first comprehensively assessed by South East Employers in 2008. Since then Woking has successfully maintained Charter status for Elected Member Development and was assessed for reaccreditation in 2018 and was again awarded the Charter. The Council is committed to continually improving its member development programme.

Statutory roles include the designation of the Chief Executive as Head of Paid Service, the Director of Legal and Democratic Services as the Monitoring Officer and the Finance Director as S151 officer.

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. The 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. Training is available increasingly through an online learning system. During 2022/23 the Council implemented a performance system for progressing through pay grades.

The Council was reassessed by Investors in People during 2022/23. The Council retained an accreditation but this was reduced to the Bronze level of accreditation from the previously accredited Silver level.

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

Active monitoring of performance is undertaken through regular reviews of Directorate service plans, and with all staff through individual staff performance conversations. The Performance Framework is owned by Members and officers. The content is communicated to a wide audience in order to ensure that these key priorities are understood and translated into operational outcomes, and the framework is available via the Council's website.

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

The Constitution sets out the rules to ensure robust internal control over the Council's finances. The system and arrangements for financial performance management are the means of internal monitoring and control. However, the size and scale of the S114 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.

The complex company arrangements have also, as noted, contributed to three year's 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 improvement plan needed for the finance function underway in 2023 as one of the workstreams of the overall Improvement and Recovery Plan agreed with the Commissioners.

The MTFS report published in February 2023 recognised a change in the assessment of the strength of the Council's finances and financial arrangements, paving the way for a more comprehensive statement in the S114 notice in June 2023.

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 has not been updated for several years.

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. To achieve this, sound risk management practices are firmly embedded within the culture of the Council, providing a proportionate and effective mechanism for the identification, assessment and, where appropriate, management of risk. 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.

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 review the Strategic Risk Register. Committee reports identify and quantify risks associated with a proposal.

A key part of the work being carried out in 2023/24 is to review the overall assurance framework and delivery. Again this will be reported in the 2023/24 AGS.

### **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 Forward Plan of key decisions. A limited number of reports are considered in private session, only when the subject meets the prescribed criteria.

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.

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 overview would benefit from a more systematic, formal and recorded review process from 2023/24 and going forward.

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

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. Training on cyber security for staff is in place.

The Council's Internal Audit Service (undertaken by 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 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 remains a frustration to residents and stakeholders that there are not audited accounts available and reported concerns about the levels of transparency associated with historic decision making.

## **5. Roles and responsibilities**

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

The Thamesway Group of companies was originally established by the Council to assist in the delivery of the Council's strategic objectives with a view to securing benefits for the residents of the Borough. The Council and the Boards of the Thamesway Group of companies have approved a set of protocols designed to make the activities of the companies open and transparent in the context of the commercial environment in which the companies operate. The Council has recently established the Shareholder Advisory Group to exercise its shareholder function.

The Group Business Plans are approved by the Council annually. Group Company information is included in the monthly performance and financial monitoring information (Green Book). It is accepted that the Green Book does not provide adequate monitoring information and this is being addressed in 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'.

## 6. Assurance and Significant Governance Issues

No assurance can ever be absolute; however, this statement recognises that significant governance issues existed in and prior to 2022/23. These issues were being highlighted through 2022/23, and the subsequent S114 Notice and statutory intervention from the Secretary of State have identified more significant and substantive issues. A governance and assurance workstream 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, taking into account public sector internal auditing standards or guidance.

For the year 2022/23, the internal auditors combined their own findings with the DLUHC report findings from the beginning of the year to conclude an **Unsatisfactory** opinion on the Council's risk management and control environment/framework. Taking a section from the annual report:

*"Based on the findings from the Department for Levelling Up, Housing and Communities (DLUHC) "Governance, Financial and Commercial Review of Woking Borough Council, May 2023" and the "Section 114 (3) of the Local Government Finance Act 1988, June 2023", it is evident that the Council is facing significant financial challenges.*

*The DLUHC report highlights that "despite the new leadership team's ambitions for redevelopment and innovation, the Council's financial predicament is concerning, characterised by a significant debt portfolio, decreased asset values, and a considerable financial deficit".*

*The report also identified challenges in the Council's internal control framework, governance arrangements, and risk management processes. For example, the report states that "as a result of past investment decisions, the Council has failed its best value duty leaving an unprecedented legacy for the current Leadership Team, which they have not been able to address to prevent financial failure". Similarly, "the historic governance processes may not have provided the necessary oversight for decision making related to Victoria Square and the Sheerwater Regeneration Project".*

*Risk management processes were also mentioned as "the arrangements put in place for Victoria Square and Sheerwater were taken without an adequate assessment of the risks to the Council or a full assessment of the legal considerations, including state aid/subsidy, best value consideration and the structure of the financing arrangements".*

*This report highlights that the Council needs to enhance its internal control framework, governance arrangements, and risk management processes.*

*The above, taken alongside the findings of the audit work conducted in the Plan, lead us to an*

*Unsatisfactory opinion on the framework of governance, risk management, and control is in its overall adequacy and effectiveness. There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail.”*

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 10 2022/23 internal audit engagements, only two resulted in ‘substantial’ assurance. The auditors made 61 recommendations in 2022/23, 14 of which were designated as high priority. Controls need to improve at this level as well as corporately.

The broader corporate weaknesses in governance are, as the Internal Audit review indicated, part of the DLUHC review that now has a comprehensive Improvement and Recovery Plan agreed with Commissioners, published and being implemented and monitored.

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. The Council has identified the following areas for enhancement of the Council’s governance requiring action in order to ensure arrangements are robust for the future:

- 
- The [Improvement and Recovery Plan](#) identifies four workstreams (Financial Recovery, Organisation and Service Redesign, Commercial, and Governance and Assurance) that the Council is advancing to provide the organisation with a clear direction for its improvement journey.
- 
- 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.
- 
- The AGS assurance process itself will be reviewed and strengthened during 2023/ 2024 before next year’s reporting cycle.
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- 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 Working Group.
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- 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.
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- CIPFA Financial Management Code: ensure that the Council’s governance arrangements comply with the Financial Management Code which has been published by (CIPFA).
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- Grant Thornton Best Value Review: following the intervention and issuing of the S114 report, the Council has commissioned a best value review which is currently being undertaken by Grant Thornton and will report back in public.
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- 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.
- 
- 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.
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These will be monitored via the Improvement and Recovery programme, which reports monthly into the Improvement and Recovery Board, and Commissioners will then report to the Executive and Full Council.

## **7. Conclusion**

This statement reflects the position in 2022/23 prior to 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 the years 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  
Cllr Ann-Marie Barker  
15<sup>th</sup> November 2023

Chief Executive  
Julie Fisher  
15<sup>th</sup> November 2023